

***Pension and Health Benefits Reform under Ch. 78, P.L. 2011
Public Employees' Retirement System
Frequently Asked Questions and Answers***

Section 1 - Changes to Pensions

What are the new contribution requirements for pension contributions?

Effective in paychecks dated October 14, 2011, the pension contribution will increase to 6.5% of base salary, up from the present rate of 5.5%. An additional increase to be phased in over the subsequent seven years will bring the total pension contribution rate to 7.5% of salary.

The additional one percent increase from 6.5% to 7.5% will be applied over a 7-year period beginning in July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July, and in the final year will increase by 0.16% of salary, until the 7.5% of salary contribution rate is reached in July 2018. The rates will be: 6.64% in July 2012, 6.78% in July 2013, 6.92% in July 2014, 7.06% in July 2015; 7.20% in July 2016, 7.34% in July 2017, and 7.5% in July 2018.

Is there a grace period to purchase pension credit for those who with the purchase of such credit may have been able to reach 20 years of service prior to the enactment of the law in order to qualify for the extension of health benefits in retirement?

No. PERS members must have submitted their request to purchase service credit prior to the effective date of the law, June 28, 2011.

What happened to cost-of-living adjustments (COLAs) for pension benefits under the new law?

Cost-of-Living Adjustments (COLAs) to pension benefits are suspended for all current and future retirees of all retirement systems. While no further COLA increases will be granted for the foreseeable future, the new law does not reduce any COLA increases that were made in prior years. Chapter 78 provides for the establishment of Pension Committees that may consider reinstating the COLA when the retirement system reaches a "target funded ratio" established by the law.

Section 2 - Changes to Health Benefits

What changes were made to health benefits contributions?

For participation in health benefits plans, the new law requires a contribution of 1.5% of salary or a percentage of the cost of the premium based on a graduated salary structure outlined below. Employees must pay whichever amount is greater.

When will the change be effective?

The effective date is determined by whether or not the employee is covered by a collective bargaining agreement. The new contributions will be reflected in paychecks dated October 14, 2011 for judges and for all Judiciary employees who are *not covered* by a collective bargaining agreement, including judges' secretaries, employees in confidential titles, court executives and law clerks. The change will be phased in over a period of four years as noted in the charts below and will be based on salary and on the level of coverage chosen.

How will employees covered by a collective bargaining agreement be affected?

For Judiciary employees whose collective bargaining agreements will expire on June 30, 2012, the new contributions will go into effect on July 1, 2012. These employees will pay 1.5% of base salary or a percentage of the cost of coverage based on the tier structure outlined below, whichever is greater. For represented employees, the contributions in 2012 will begin at the year 1 rate and will be phased in over four years.

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How will “new” employees (hired on and after June 28, 2011, the effective date of the law) be affected by the change in contributions for health benefits?

The contributions by “new” employees for health benefits will be determined by whether or not the employee is covered by a collective bargaining agreement. All new employees who are not covered by such an agreement will contribute the greater of 1.5% of salary or the year 4 percentage of premium on the chart below, when payroll deductions for benefits begin, approximately 60 days after their date of full-time employment. These new employees will not have their contribution amounts phased in over four years as current employees will.

For new employees hired into positions covered by a collective bargaining agreement before July 1, 2012, as noted above, the increased contribution will begin as of July 1, 2012 based on year 1 of the salary tiers illustrated below. New employees covered by a collective bargaining agreement and hired on or after July 1, 2012 will pay the full rate, shown at the Year 4 contribution on the charts below for level of coverage and salary.

Is there a change in the levels of coverage offered?

No, the current four levels of coverage will continue: single; parent and child; member and spouse or partner; and family. The premium contribution chart below has the same percentages for member and spouse or partner as well as parent/child coverage.

**HEALTH BENEFITS CONTRIBUTION FOR SINGLE COVERAGE
(PERCENTAGE OF PREMIUM)**

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 20,000	1.13%	2.25%	3.38%	4.50%
20,000-24,999.99	1.38%	2.75%	4.13%	5.50%
25,000-29,999.99	1.88%	3.75%	5.63%	7.50%
30,000-34,999.99	2.50%	5.00%	7.50%	10.00%
35,000-39,999.99	2.75%	5.50%	8.25%	11.00%
40,000-44,999.99	3.00%	6.00%	9.00%	12.00%
45,000-49,999.99	3.50%	7.00%	10.50%	14.00%
50,000-54,999.99	5.00%	10.00%	15.00%	20.00%
55,000-59,999.99	5.75%	11.50%	17.25%	23.00%
60,000-64,999.99	6.75%	13.50%	20.25%	27.00%
65,000-69,999.99	7.25%	14.50%	21.75%	29.00%
70,000-74,999.99	8.00%	16.00%	24.00%	32.00%
75,000-79,999.99	8.25%	16.50%	24.75%	33.00%
80,000-94,999.99	8.50%	17.00%	25.50%	34.00%
95,000 and over	8.75%	17.50%	26.25%	35.00%

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HEALTH BENEFITS CONTRIBUTION FOR FAMILY COVERAGE

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 25,000	0.75%	1.50%	2.25%	3.00%
25,000-29,999.99	1.00%	2.00%	3.00%	4.00%
30,000-34,999.99	1.25%	2.50%	3.75%	5.00%
35,000-39,999.99	1.50%	3.00%	4.50%	6.00%
40,000-44,999.99	1.75%	3.50%	5.25%	7.00%
45,000-49,999.99	2.25%	4.50%	6.75%	9.00%
50,000-54,999.99	3.00%	6.00%	9.00%	12.00%
55,000-59,999.99	3.50%	7.00%	10.50%	14.00%
60,000-64,999.99	4.25%	8.50%	12.75%	17.00%
65,000-69,999.99	4.75%	9.50%	14.25%	19.00%
70,000-74,999.99	5.50%	11.00%	16.50%	22.00%
75,000-79,999.99	5.75%	11.50%	17.25%	23.00%
80,000-84,999.99	6.00%	12.00%	18.00%	24.00%
85,000-89,999.99	6.50%	13.00%	19.50%	26.00%
90,000-94,999.99	7.00%	14.00%	21.00%	28.00%
95,000-99,999.99	7.25%	14.50%	21.75%	29.00%
100,000-109,999.99	8.00%	16.00%	24.00%	32.00%
110,000 and over	8.75%	17.50%	26.25%	35.00%

**HEALTH BENEFITS CONTRIBUTION FOR
MEMBER/SPOUSE/PARTNER OR PARENT/CHILD COVERAGE**

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 25,000	0.88%	1.75%	2.63%	3.50%
25,000-29,999.99	1.13%	2.25%	3.38%	4.50%
30,000-34,999.99	1.50%	3.00%	4.50%	6.00%
35,000-39,999.99	1.75%	3.50%	5.25%	7.00%
40,000-44,999.99	2.00%	4.00%	6.00%	8.00%
45,000-49,999.99	2.50%	5.00%	7.50%	10.00%
50,000-54,999.99	3.75%	7.50%	11.25%	15.00%
55,000-59,999.99	4.25%	8.50%	12.75%	17.00%
60,000-64,999.99	5.25%	10.50%	15.75%	21.00%
65,000-69,999.99	5.75%	11.50%	17.25%	23.00%
70,000-74,999.99	6.50%	13.00%	19.50%	26.00%
75,000-79,999.99	6.75%	13.50%	20.25%	27.00%

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80,000-84,999.99	7.00%	14.00%	21.00%	28.00%
85,000-99,999.99	7.50%	15.00%	22.50%	30.00%
100,000 and over	8.75%	17.50%	26.25%	35.00%

How can employees estimate the cost of health benefits contributions?

The chart below shows both the biweekly (per pay period) cost and the annual cost for the current plans offered by the State Health Benefits Program (SHBP). The cost for prescription drug coverage is separate and must be added to the medical plan premium to arrive at the full cost of medical and prescription coverage.

To estimate the impact on an employee's biweekly payroll deduction, locate the health plan and level of coverage on the chart below. On a recent paystub, locate the gross biweekly salary and multiply that number by 1.5%; the resulting amount should equal the amount listed on the paystub as HB DED (health benefits deduction). Then calculate the percentage of premium using the salary ranges and Year 1 level of coverage from the charts above. The higher of the two numbers will be the deduction that for non-represented employees will be taken from biweekly pay starting in October.

For example: A non-represented employee whose annual salary is \$50,000 has a gross bi-weekly pay of \$1,915.71 and 1.5% of that salary equals \$28.73. This employee has NJ Direct Family coverage which requires a 3% contribution in the first year under the new law. The biweekly cost for medical and prescription drug coverage is \$730.98 and 3% of that amount equals \$21.93. For the first year, this employee would continue to pay the 1.5% of salary that is already being deducted because it is higher than the 3% contribution. The calculations will change each year, depending on the employee's salary and full cost of the health benefits premiums.

Biweekly Premium Chart for Active Employees Showing Full Cost					
2011 Rates					
Plan/Coverage:	Bi-weekly cost:		Annual cost:		
	Medical only	Medical + Rx	Medical only	Medical + Rx	
NJ Direct 15					
Single	\$229.92	\$292.38	\$6,000.91	\$7,631.12	
Member & Spouse/Partner	\$517.33	\$657.88	\$13,502.31	\$17,170.67	
Family	\$574.82	\$730.98	\$15,002.80	\$19,078.58	
Parent & Child	\$321.90	\$409.35	\$8,401.59	\$10,684.04	
Aetna					
Single	\$236.34	\$298.80	\$6,168.47	\$7,798.68	
Member & Spouse/Partner	\$531.75	\$672.30	\$13,878.68	\$17,547.03	
Family	\$590.84	\$747.00	\$15,420.92	\$19,496.70	
Parent & Child	\$330.86	\$418.31	\$8,635.45	\$10,917.89	
Cigna HMO					
Single	\$237.61	\$300.07	\$6,201.62	\$7,831.83	
Member & Spouse/Partner	\$534.62	\$675.17	\$13,953.58	\$17,621.94	
Family	\$594.02	\$750.18	\$15,503.92	\$19,579.70	
Parent & Child	\$332.64	\$420.09	\$8,681.90	\$10,964.35	

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	Prescription Drug Program				Rx only	
	Single	\$62.46			\$1,630.21	
	Member & Spouse/Partner	\$140.55			\$3,668.36	
	Family	\$156.16			\$4,075.78	
	Parent & Child	\$87.45			\$2,282.45	

Will new health benefits plans be offered?

The law creates a committee that is charged with creating new plan designs. It is expected that the new plan designs will be created prior to the October open enrollment period. The new plans are scheduled to go into effect on January 1, 2012.

Does the new rate schedule affect dental benefits coverage?

No; the cost of dental coverage is a 50% split between the employer and employee. However, as with all benefits, the cost may be subject to change in a new plan year.