

September 16, 1997

TO: Certifying Officers,
Public Employees' Retirement System
Teachers' Pension and Annuity Fund

FROM: Margaret M. McMahon
Director

SUBJECT: Reduced Pension Contributions

Employee pension contributions for members of the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) will be reduced for all of calendar year 1998 from 5% to 4.5% of pensionable salary. Please take appropriate action to implement this change.

This change results from enactment of the Pension Security Legislation (Chapters 113, 114, & 115 of P.L. 1997), signed by Governor Whitman on June 5, 1997. These laws also resulted in \$2.75 billion being deposited in the various State administered pension systems, which fully fund these systems. Additionally, local employer pension contributions to PERS normally due April 1, 1998, will not be required (except for early retirement incentives from previous years) because sufficient excess assets are already in the system to offset those payments.

The minimum repayment schedule for pension loans and the minimum deduction for service credit purchases, which are based on the normal pension contribution rate, will not change from the current levels. This is because the reduction of employee contributions is not a permanent reduction of the normal contribution rate; it is a temporary reduction.

Employer representatives responsible for completing the Certification of Service and Final Salary for retiring members must remember to take the reduced contribution rate into account when projecting deductions that will be made from base salary after January 1, 1998.

If there are sufficient excess assets available in the pension systems, the reduced contribution rate for employees could be extended through 1999. You will be notified if this is the case in September of next year.

For more information about the pension security legislation, visit the Division of Pensions and Benefits Home page on the world wide web. Our Internet address (URL) is shown below.

<http://www.state.nj.us/treasury/pensions>