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TO: State Department Human Resource Personnel

FROM: Frederick J. Beaver, Director 

SUBJECT: 2008 State Early Retirement Incentive Program

A bill has been introduced to the New Jersey Legislature to provide an Early Retirement Incentive (ERI) program for certain full-time employees of the Executive Branch or the Judicial Branch of New Jersey State government.

The proposed ERI is only in draft legislative form (A2802 and S2044); this letter describes the proposal and is offered only as guidance. There is no commitment to an ERI until it is enacted and signed into law.

DEPARTMENTS AND AGENCIES EXCLUDED FROM THE ERI

The proposed ERI program *will not* include employees of certain State Departments and State Agencies. The employees in those departments and agencies are *not eligible* for the ERI program because the proposed ERI program is designed to ensure continuing budget savings through a reduction in the size of the State government workforce. This is to be achieved through a strict limit on the filling of vacancies resulting from the ERI so that departments and agencies do not replace those who retire under an ERI with new employees because that practice results in a program that increases liability and eliminates budget savings. To meet these goals, the proposal excludes employees in departments or agencies whose mission is principally related to the provision of direct care, or when the nature of their operations otherwise does not permit the imposition of a strict limit on the filling of vacancies.

Employees of the following State Departments and Agencies are **excluded** from participation in the ERI.

- Department of Corrections
- Department of Children and Families
- Department of Human Services
- Department of Military & Veterans Affairs
- Juvenile Justice Commission
- New Jersey Independent State Authorities and Commissions
- New Jersey State Colleges and/or Universities
- Office of the Public Defender

- PERS members enrolled in the Prosecutors subgroup
- PERS members enrolled in the Workers' Compensation Judges subgroup

In addition, employees of a Local Government or Local Educational employer are not eligible for the ERI.

STATE ERI PROGRAM PROVISIONS

The proposed State ERI Program is available to full-time employees of included agencies of the Executive Branch or the Judicial Branch of New Jersey State government, who are enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF), and who are eligible for State Health Benefits Program coverage provided by the employer¹.

The proposal requires that the eligible employee must **retire no later than August 1, 2008**; submit an *ERI Application for Retirement Allowance* on or before the retirement date **but no later than the ERI application deadline on July 15, 2008**; and must meet the additional criteria shown below as of their date of retirement.

STATE ERI PROGRAM REQUIREMENTS

CATEGORY	ELIGIBILITY CRITERIA	INCENTIVE
1	Age 58 or older with 25 years or more of credited service in the Public Employees' Retirement System (PERS), or Teachers' Pension and Annuity Fund (TPAF).	Service and Early Retirements: 3 additional years of service credit (an additional 5.45% of Final Average Salary). Veteran Retirement: * 3/55 of Final Salary added to retirement allowance. (An additional 5.45% of Final Salary.)
2 [‡]	Age 60 or older with at least 20, but less than 25 years of credited service in the PERS or TPAF.	Paid State Health Benefits Program (SHBP) post-retirement medical benefits. Certain retirees may be subject to a health contribution of 1.5% of the retirement allowance unless the retiree participates in the Retiree Wellness Program.
3 [‡]	Age 60 or older with at least 10, but less than 20 years of credited service in the PERS or TPAF	\$500 per month for 24 months after retirement, paid in a separate check from the retirement allowance.
<p>*Veteran Retirement Eligibility Criteria for PERS and TPAF</p> <ul style="list-style-type: none"> • Age 60 with 20 years of membership credit (only applicable to Category 2 of ERI) • Age 55 with 25 years of membership credit (must be at least age 58 for ERI eligibility) • Age 55 with 35 years of membership credit (must be at least age 58 for ERI eligibility) <p>[‡] Judicial Branch employees are only eligible for Category 1 benefits.</p>		

¹ Employees enrolled in the SHBP under the provisions of Chapter 172, P.L. 2003 are not eligible.

TERMS AND CONDITIONS OF THE ERI

When applying for and accepting retirement through the 2008 State Early Retirement Incentive, **an eligible State employee must agree to the following *ERI Terms and Conditions of Retirement*.**

- **Retirement under the ERI is irrevocable seven days after the *ERI Application for Retirement Allowance* is received by the Division of Pensions and Benefits.** This means that seven days after the Division receives the application, the employee cannot decide to cancel the retirement and return to State employment.
- A State ERI retiree cannot work for the State of New Jersey Executive Branch in any capacity for a period of **three years** from the retirement date. Similarly, a Judicial ERI retiree cannot work for the State of New Jersey Judicial Branch in any capacity for a period of **three years** from the retirement date. The following situations are covered under these conditions: as an employee; as a result of an appointment; as a contractor for professional services; or as part of a contract awarded to a third party.
- Each department or agency shall have the right to require an eligible employee who accepts retirement through the ERI to extend employment for up to one year. **This decision is at the option of the employer and is subject to approval by the State Treasurer for Executive Branch employees or by the Chief Justice for Judicial Branch employees.**

IMPLEMENTATION AND NOTIFICATION TO ELIGIBLE EMPLOYEES

The Division of Pensions and Benefits is identifying eligible employees, preparing notification materials, and doing the programming necessary to generate retirement estimates and to process retirements. Legislation is required, however, before we have the legal authority to process any retirements under this incentive program. Changes to the proposed program are also possible during the legislative process; if changes are made, we will adjust the ERI information accordingly.

To assist Human Resources Representatives and Benefit Administrators with their duties involving the ERI, the Division of Pensions and Benefits will provide employers with the following:

- This letter that explains the proposed ERI program;
- A list of your eligible employees under the ERI (to be provided under separate cover);
- A sample of the ERI Eligibility Letters that will be mailed to eligible employees (to be provided under separate cover);
- ERI Employer Seminars — information on mandatory employer seminars has been mailed to State Human Resources staff. (Employee Seminars are also being established within certain State departments.);

A special State ERI Web page has also been established for ERI news and general information. The ERI Web page emphasizes self-help options through the Internet and our automated systems — soon this will include an online ERI retirement estimate calculator available through the Member Benefits Online System (MBOS). Look for the

ERI links on the Division of Pensions and Benefits Internet home page at:
www.state.nj.us/treasury/pensions

REQUESTS TO EXTEND ERI RETIREMENT DATES

The Governor's ERI package allows employers to request an extension for up to one year of the ERI retirement date of eligible employees. Requests should include a detailed justification for the extension and must be submitted to the State Treasurer for approval of extensions for Executive Branch employees or to the Chief Justice for Judicial Branch employees.

Because approvals will be on a limited basis, an eligible employee must still formally file an *Application for Retirement Allowance* **no later than July 15, 2008**, with a retirement effective date **no later than August 1, 2008**.

- **If the extension is denied, the employee must retire as of the ERI retirement date.**
- **If the extension is approved**, the retirement date may be extended for up to one year, but can be no later than July 1, 2009. The approving authority will notify both the requesting office and the Division of Pensions and Benefits and the retirement date will be adjusted. Additional PERS or TPAF service and salary earned during the extension will be considered in the final calculations of the retirement benefits.

PURCHASE OF SERVICE CREDIT

The current wording of the proposed ERI requires that for any purchase of service credit to be applied toward ERI eligibility, **the purchase must have been completed as of the date of enactment of the ERI legislation.**

Changes to the legislation are being considered that may permit additional purchases to be valid for eligibility under the ERI. Eligible members should check the Division of Pensions and Benefits Web site for updates to the purchase information as well as any other changes to the ERI upon enactment into law. Go to: www.state.nj.us/treasury/pensions and click on the "2008 State Early Retirement Incentive" link at the top of the home page.

QUESTIONS OR CONCERNS

Questions about eligibility for, or implementation of, the State ERI program can be directed to the Division of Pensions and Benefits, Office of Client Services at (609) 292-7524, or by e-mail to: pensions.nj@treas.state.nj.us