



State of New Jersey  
DEPARTMENT OF THE TREASURY  
DIVISION OF PENSIONS AND BENEFITS  
(609) 292-7524 TDD (609) 292-7718  
www.state.nj.us/treasury/pensions

MAILING ADDRESS:  
PO Box 295  
TRENTON, NJ 08625-0295

LOCATION:  
50 WEST STATE STREET  
TRENTON, NEW JERSEY

R. DAVID ROUSSEAU  
State Treasurer

FREDERICK J. BEAVER  
Director

JON S. CORZINE  
Governor

December 15, 2009

**TO:** Certifying Officers of the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), and Defined Contribution Retirement Program (DCRP)

**FROM:** John D. Megariotis  
Deputy Director, Finance

**SUBJECT: Increase in the Minimum Salary Required for PERS or TPAF Enrollment**

This letter is being provided as notice to employers that, effective January 1, 2010, the **minimum annual base salary required for enrollment** for "Tier 3 membership" in the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will increase from \$7,500 to **\$7,700**.

Enrollment criteria for Tier 1 and Tier 2 of the PERS or TPAF remain unchanged for 2010. However, Chapter 89, P.L. 2008, established a minimum annual salary for Tier 3 enrollment that is **subject to annual adjustment**.

Employers must note the increase in the annual base salary for Tier 3 membership as it effects:

- Employees being newly enrolled into Tier 3 membership of the PERS or TPAF;
- Current Tier 3 members who transfer to a new PERS or TPAF employer or who accept additional PERS or TPAF covered employment as "multiple members"; and
- Current Tier 3 members who are continuing employment who earn salary at or near the annual minimum<sup>1</sup>.

Employees who otherwise qualify for PERS or TPAF Tier 3 membership, but do not meet the \$7,700 minimum salary requirement, are eligible for enrollment in the Defined Contribution Retirement Program (DCRP) provided that the base salary is at least \$1,500 annually, see Fact Sheet #82, *DCRP if Ineligible for the PERS or TPAF*, for details.

**Included with this letter is an updated chart** that outlines the minimum base salary for Tiers 1, 2, and 3 of the PERS and TPAF.

The chart also includes the **maximum** salary limits for both "IRS annual compensation" (\$245,000) and the "Social Security maximum wage" (\$106,800). **Both of these maximum**

<sup>1</sup> For a Tier 3 member paid on a part-time hourly, on-call or per diem basis and who does not have an annual contractual base salary, pension and contributory insurance deductions are calculated using actual creditable salary earned. In this case the monthly minimum salary to receive service and salary credit for 2010 will be \$642 or \$770 for 12-month and 10-month members respectively. If a member's actual creditable salary should drop below one-twelfth (for 12-month employees; one-tenth for 10-month employees) of the minimum threshold salary required for enrollment into the retirement system, pension contributions should not be deducted from that member's creditable salary, and pension credit cannot be earned, for that month.

**salary limits remain unchanged for calendar year 2010.** **Note:** The “Social Security maximum wage” is applied to PERS/TPAF Tier 2 and Tier 3 member salaries to determine eligibility for enrollment in the Defined Contribution Retirement Program (DCRP), see Fact Sheet #79, *DCRP for PERS and TPAF Members*, for details.

Employers should also note that the minimum salary requirements for *re-enrollment* of retirees who return to PERS or TPAF covered employment differ from the salary limits described above and may be determined by **both** the retired member’s original membership tier **and** the member’s type of retirement. See Fact Sheet #21, *Employment after Retirement (PERS)*; Fact Sheet #28, *Employment after Retirement (TPAF)*; and Fact Sheet #58, *Employer’s Guide to Hiring Retired Government Employees*, for more information.

### ADDITIONAL INFORMATION

Information about the establishment of the PERS and TPAF membership tiers, the DCRP, and other recent changes to pensions and benefits are provided in the Division’s Certifying Officer Letters:

- The letter *Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 Pension Changes PERS, TPAF, and DCRP*, of August 2007, details the establishment of PERS and TPAF Tier 2 membership, maximum wage limits, and the creation of the DCRP.
- The letter *Chapter 89, P.L. 2008, Public Employee Benefits Reform Act of 2008*, of December 5, 2008, details the establishment of PERS and TPAF Tier 3 membership, and DCRP eligibility for employees earning less than the PERS or TPAF minimum annual salary.

Employers and employees should also refer to the fact sheets referenced in this letter and the recently revised *PERS or TPAF Member Handbooks*.

The fact sheets, handbooks, and archived Certifying Officer Letters are available for viewing, or can be printed, from the Division of Pensions and Benefits Web site at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

If you have additional questions about the information provided in this letter, contact the Division’s Office of Client Services at (609) 292-7524, or e-mail the Division at: [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us)

Enclosure

## PERS AND TPAF SALARY REQUIREMENTS FOR ENROLLMENT BY MEMBERSHIP TIER

All other PERS or TPAF enrollment requirements must be met in addition to minimum salary

	<b>TIER 1</b> (Enrolled prior to July 1, 2007)	<b>TIER 2</b> (Eligible for enrollment on or after July 1, 2007 and prior to November 2, 2008)	<b>TIER 3</b> (Eligible for enrollment on or after November 2, 2008)
<b>PERS</b>	<p>Minimum base salary of \$1,500 required for PERS enrollment.</p> <p>IRS Annual Compensation Limit on maximum salary generally apply (\$245,000 in 2010 and 2009;* \$230,000 in 2008).</p>	<p>Minimum base salary of \$1,500 required for PERS enrollment.</p> <p>PERS salary limited to Social Security maximum wage (\$106,800 in 2010 and 2009; \$102,000 in 2008).</p> <p>PERS members are eligible for participation in the Defined Contribution Retirement Program (DCRP) for salary over the maximum wage limit.</p>	<p>Minimum base salary required for PERS or TPAF enrollment. (\$7,700 in 2010; \$7,500 in 2009 and 2008; subject to adjustment in future years.)</p> <p>Employees with base salary between \$1,500 and current PERS/TPAF minimum of \$7,700 are eligible for participation in the Defined Contribution Retirement Program (DCRP).</p>
<b>TPAF</b>	<p>Minimum base salary of \$500 required for TPAF enrollment.</p> <p>IRS Annual Compensation Limit on maximum salary generally apply (\$245,000 in 2010 and 2009;* \$230,000 in 2008).</p>	<p>Minimum base salary of \$500 required for TPAF enrollment.</p> <p>TPAF salary limited to Social Security maximum wage (\$106,800 in 2010 and 2009; \$102,000 in 2008).</p> <p>TPAF members are eligible for participation in the Defined Contribution Retirement Program (DCRP) for salary over the maximum wage limit.</p>	<p>PERS and TPAF salary limited to Social Security maximum wage (\$106,800 in 2010 and 2009; \$102,000 in 2008).</p> <p>PERS and TPAF members are eligible for participation in the DCRP for salary over the maximum wage limit.</p>

*\*For "grandfathered" individuals at employers that adopted Ch 113, P.L. 1997, the Tier 1 maximum salary is \$360,000 for 2009 and 2010.*

## PERS AND TPAF RETIREMENT BENEFITS BY MEMBERSHIP TIER

	<b>TIER 1</b> (Enrolled prior to July 1, 2007)	<b>TIER 2</b> (Eligible for enrollment on or after July 1, 2007 and prior to November 2, 2008)	<b>TIER 3</b> (Eligible for enrollment on or after November 2, 2008)
<b>SERVICE RETIREMENT</b>	Minimum age of <b>60</b> , no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary.	Minimum age of <b>60</b> , no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary.	Minimum age of <b>62</b> , no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary.
<b>DEFERRED RETIREMENT</b>	Collectable at age <b>60</b> , at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary.	Collectable at age <b>60</b> , at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary.	Collectable at age <b>62</b> , at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary.
<b>EARLY RETIREMENT</b>	At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary. No minimum age; however, if <b>under age of 55</b> , the benefit is reduced 3 percent per year (1/4 of 1 percent per month) for each year under age 55.	At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary. No minimum age; however, if <b>under age of 60</b> , the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age <b>60</b> but over age 55; <b>and</b> 3 percent per year (1/4 of 1 percent per month) for each year under age 55.	At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average Salary. No minimum age; however, if <b>under age of 62</b> , the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age <b>62</b> but over age 55; <b>and</b> 3 percent per year (1/4 of 1 percent per month) for each year under age 55.
<b>VETERAN RETIREMENT</b>	At least 25 years of service at age 55 or older; <b>or</b> at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; <b>or</b> At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.	At least 25 years of service at age 55 or older; <b>or</b> at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; <b>or</b> At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.	At least 25 years of service at age 55 or older; <b>or</b> at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; <b>or</b> At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.
<b>ORDINARY DISABILITY RETIREMENT</b>	If approved: Annual benefit = 43.6 percent X Final Average Salary.	If approved: Annual benefit = 43.6 percent X Final Average Salary.	If approved: Annual benefit = 43.6 percent X Final Average Salary.
<b>ACCIDENTAL DISABILITY RETIREMENT</b>	If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident.	If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident.	If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident.