September 2011

TO: Certifying Officers, Autonomous State College/University/State Employers

FROM: Joseph Zisa, Manager 1, Fiscal Resources

SUBJECT: Report of Contributions, 3rd Quarter 2011 (July 1 to September 30)

This memorandum has pertinent information concerning the reporting your employees’ pensionable service and salary and the completion of your quarterly Report of Contributions (ROC). Please review this memorandum before submitting your quarterly pension report.

Reminder – Contribution Rate Changes Under Chapter 78, P.L. 2011

Pursuant to Chapter 78, P.L. 2011, Pension and Health Benefit Reform, employee pension contribution rates will be increased effective October 1, 2011.

• For PERS and TPAF members the employee pension contribution rate will gradually increase from 5.5% to 7.5% of salary by July 2018. The increase to the employee contribution rate will be 1% beginning on October 1, 2011. The second 1% increase will be phased in over 7 years beginning July 1, 2012. Therefore, effective October 1, 2011, with your Report of Contributions for the 4th Quarter 2011, the employee contribution rate will increase to 6.5%. After that the employee contribution rate will increase each July 1st over the seven year phase in until the full 7.5% contribution is reached in 2018 (6.64% in July 2012, 6.78% in July 2013, 6.92% in July 2014, 7.06% in July 2015, 7.20%, July 2016, 7.34% in July 2017, and 7.50% July 2018).

• For PFRS members the employee pension contribution rate will increase from 8.5% to 10% of salary effective October 1, 2011 with your Report of Contributions for the 4th Quarter 2011.

Procedures for Reporting of Retroactive Salary

Any retroactive salary increase paid to employees is subject to the employee contribution rate in effect at the time the retroactive salary would have been paid if the contract had been ratified prior to its effective date. Therefore, any retroactive salary increase paid on or after October 1, 2011 is subject to the prevailing contribution rate for each period of service under the retroactive period covered by the lump sum payment of back wages. For example, for a 12-month retroactive salary increase paid on December 30, 2011, PERS employee pension contributions would be calculated using a rate of 5.5% of base salary covering the period of January 1 through September 30, 2011 and a rate of 6.5% of base salary covering the period of October 1 through December 30, 2011.
Reminder - Processing ‘Stop Deductions’ Member Certifications

The Division is issuing Certifications of Payroll Deductions for situations where an employer is required to suspend future pension and related benefit payroll deductions for an employee. These ‘Stop Deduction’ Certifications are typically issued for employees who have been reported as a multiple member (one who works for more than one employer receiving pension credit from each simultaneously) who are no longer eligible for this benefit. This is a required change following reforms contained in P.L. 2010, Chapter 1.

If you receive a ‘stop deductions’ certification for a member who is on the ROC, you must stop reporting deductions as of the date reflected on the certification. This certification was produced as a result of the employee’s concurrent service with another employer and the Division has taken into consideration employment and pension reporting at your jurisdiction through that date when instructing the other employer on when to begin deductions and the amount of the deduction to be taken. Even though this employee may have continued service with you beyond this date, for purposes of your pension related reporting, please adjust the member’s service and base salary, if applicable, to agree with the date shown on the ‘stop deduction’ certification using an explanation of “terminated” from the drop down box on the IROC or a leave code of ‘2’ on the ROC data file.

If an employee has terminated service with you prior to the date shown on the ‘stop deductions’ certification, immediately contact the Division by forwarding a copy of the certification with detail of the employee’s salary, pension contributions and related deductions since the last period reported on ROC and the date of termination. Information should be directed to the attention of the ‘Adjustment Section’ at the Division’s Trenton NJ address.

ROC Reporting for Members with Multiple Employment

P.L. 2010, Chapter 1, requires that an employee eligible for PERS or TPAF enrollment after May 21, 2010, be eligible for Tier 4 membership based upon only one position and requires the retirement system to designate the position providing the higher or highest compensation for the member from among any concurrently held positions. This position will be used as the basis for eligibility for membership, service credit, the compensation base for pension contributions, and for other pension calculations.

For current PERS or TPAF Tier 1, Tier 2, or Tier 3 multiple members, all concurrent positions held without a break in service from May 21, 2010, will continue to qualify for service credit and the compensation base for pension contributions and calculation of benefits. However, provisions of P.L. 2010, Chapter 1, require that any new, concurrently held position beginning after May 21, 2010, will not qualify for service credit or the compensation base for pension contributions and calculation of retirement for any PERS or TPAF multiple member. Current multiple employer relationships will be terminated following any “break in service” not supported by an employer approved leave of absence (LOA). For this purpose a “break in service” is being defined for employment with any municipality, county, board of education or authority as any one month period without service while not on an approved LOA. The Division may require recertification of these employment relationships following a break in service with an approved leave of absence. As a result, you may be asked to provide additional
information before being able to add a multiple member back to your report of contributions following an approved LOA.

**PERS & TPAF Tier 3 - Minimum Annual Base Salary**

As a result of P.L. 2008, Chapter 89, the Director of the Division of Pensions and Benefits shall adjust each year the minimum annual base salary for participation in the Teachers’ Pension and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS) for those members in Tier 3 service (Tier 3 service covers those individuals eligible to enroll in TPAF or PERS on or after November 2, 2008). The adjustment is made annually in accordance with changes in the Consumer Price Index, pursuant to N.J.A.C. 17:3-2.1(g) for TPAF membership and N.J.A.C. 17:2-2.1(c) for PERS membership.

Please take note that, pursuant to these provisions, the Division of Pensions and Benefits set the annual base salary for participation in the TPAF and PERS at $7,700 for calendar year 2011. This minimum annual base salary continues in effect through December 31, 2011. The base is being evaluated for revision in 2012 and the results of that analysis will be announced shortly.

Employees who fall below the minimum annual base salary amount in any calendar year may be eligible to participate in the Defined Contribution Retirement Program. Please review Fact Sheet #82, Defined Contribution Retirement Program (DCRP) If Ineligible for PERS or TPAF, for additional information.

**PERS & TPAF Tiers 2 & 3 - Maximum Compensation**

P.L. of 2007, Chapter 103, provides that new employees are subject to a maximum compensation limit for PERS or TPAF pension contributions. The maximum compensation is based on the annual maximum wage for Social Security.

*Note: The PERS and TPAF maximum compensation limit does not apply to employees who were already members of the PERS or TPAF prior to July 1, 2007.*

For calendar year 2011, the annual maximum wage for Social Security is $106,800 and is subject to change at the start of each calendar year. Therefore, a new employee enrolled in the PERS or TPAF on or after July 1, 2007, who earns in excess of $106,800 before the end of 2011 will have his or her TPAF or PERS base salary capped – limiting the amount used to calculate benefits and contributions to TPAF or PERS for pension or contributory insurance. These individuals with earnings over the Social Security maximum wage base are also eligible for benefits under the Defined Contribution Retirement Program (DCRP). DCRP plan materials, enrollment forms, and other program information are available at: [www.state.nj.us/treasury/pensions/dcrp1.shtml](http://www.state.nj.us/treasury/pensions/dcrp1.shtml)

Pension benefits may be available to these individuals for base salary paid in excess of the annual compensation limit under the newly created Defined Contribution Retirement Program (DCRP). DCRP plan materials, enrollment forms, and other program information are being developed and will be provided under a separate mailing.

**PFRS – Maximum Compensation**

P.L. 2010, Chapter 1, provides that new members eligible to enroll in the Police and Firemen's Retirement System on or after May 21, 2010 are subject to a maximum
compensation limit for PFRS contributions and benefit. The maximum compensation is based on the annual maximum wage for Social Security.

**Tiers Defined for the TPAF and the PERS**
- **Tier 1**: Member who were enrolled prior to July 1, 2007
- **Tier 2**: Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 pursuant to the provisions of P.L. 2007, Chapter 103
- **Tier 3**: Members who were eligible to enroll on or after November 2, 2008 pursuant to the provisions of P.L. 2010, Chapter 89
- **Tier 4**: Members who were eligible to enroll on or after May 21, 2010 pursuant to the provisions of P.L. 2010, Chapter 1
- **Tier 5**: Members who were eligible to enroll on or after June 28, 2011 pursuant to the provisions of P.L. 2011, Chapter 78

**Reporting and Payment Information**
Your 3rd Quarter 2011 IROC or ROC data file applicable to the Teachers’ Pension and Annuity Fund, Public Employees’ Retirement System, and Police and Firemen’s Retirement System is due by **October 7, 2011**. Your September 2011 remittance, which represents the deductions due for the balance of the quarter, should be made through the Transmittal Electronic Payments System (TEPS). The portion of the remittance for total pension deductions should reflect the sum of normal pension contributions, back deductions, loan payments, and arrears/purchase deductions. Your TEPS remittance is also due by **October 7, 2011**.

If your quarterly ROC and total contributions are not received in a timely manner, we cannot update the pension accounts of your employees. This may adversely affect any claim for benefits, including loan applications, filed by your employees. Also, any delay affects our scheduling in posting contributions to all members’ accounts as well as the mailing of ROC for the following quarter. A ROC data file will be considered received when it is submitted in an acceptable format, passes all data processing edits, and can be used to update members’ accounts. Interest will be assessed, as prescribed by statute and administrative code, when monthly transmittal remittances and the quarterly ROC are not received within fifteen days of the due dates.

Should you have any questions or need assistance in completing the Report, please refer to [www.state.nj.us/treasury/pensions/epbam/finance/roc.htm](http://www.state.nj.us/treasury/pensions/epbam/finance/roc.htm)

**Changing Banking Information for TEPS**
On or after the date that the new checking account becomes effective, a **Notice of Changes for TEPS** should be faxed to 1-866-568-2495 or mailed to:

New Jersey Department of Treasury  
Division of Pensions and Benefits  
PO Box 9581  
Trenton NJ 08650-9581

Please call the TEPS Helpline 1-888-835-3345 if you have any questions regarding the status of your change or if you have any questions regarding your password or the status of your transmittal payment.