



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

LOCATION:
50 WEST STATE STREET
TRENTON, NEW JERSEY

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

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

ANDREW P. SIDAMON-ERISTOFF
State Treasurer

FREDERICK J. BEAVER
Director

April 1, 2010

TO: Certifying Officers of the Police and Firemen's Retirement System (PFRS)

FROM: Florence J. Sheppard
Deputy Director, Benefit Operations

SUBJECT: Chapter 1, P.L. 2010 — Pension Changes to the Police and Firemen's Retirement System (PFRS)

Governor Christie recently signed into law **Chapter 1, P.L. 2010**. This law implements several changes to the State-administered retirement systems. This letter addresses the changes to the Police and Firemen's Retirement System (PFRS). **Chapter 1, P.L. 2010 is effective May 21, 2010.**

PFRS MAXIMUM SALARY LIMITS

Chapter 1, P.L. 2010, imposes a maximum compensation limit upon which pension contributions will be made for police officers or firefighters who become members of the PFRS *after* May 21, 2010. The maximum amount will be the amount of base salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the federal Insurance Contributions Act. For 2010, that amount is \$106,800.

Under this law, a new member for whom this annual maximum compensation will be reached in any year will become a participant of the Defined Contribution Retirement Program (DCRP) with regard to the remaining compensation, unless the member *irrevocably* elects to waive participation in the DCRP.

For the amount of compensation in excess of the maximum compensation, 5.5 percent will be deducted as a contribution for the purposes of the DCRP. Employers will be responsible for the DCRP's matching 3 percent contribution. When a PFRS member also becomes a participant in the DCRP, the life insurance and disability benefit provisions of that program will be available for that participant. Additional information about the DCRP is available in Fact Sheet #79, *Defined Contribution Retirement Program*, which is being revised to include PFRS members.

CHANGES TO PFRS FINAL COMPENSATION

Chapter 1, P.L. 2010, also changes the calculation of "Final Compensation" used for PFRS retirement. A PFRS member who is enrolled *after* May 21, 2010, will have Final Compensation based on the *average annual compensation* for **any three fiscal years** of membership that provides the largest possible benefit to the member or the member's beneficiary.

For PFRS members enrolled *after* May 21, 2010, this law also affects the calculation of PFRS survivor benefits, when such a benefit is available, and the amount of a death benefit to a beneficiary whenever current law provides for the use of Final Compensation or final salary, as those terms are redefined by this law, for the purpose of that calculation. In instances where current law provides that the calculation of benefits be based on the compensation or salary received in the last year of service or at the time of death, there is no change as a result of this law.

Note: Members of the PFRS enrolled *on or before* May 21, 2010, will continue to have “Final Compensation” based on the compensation in the final year of service.

NON-FORFEITABLE RIGHTS

Chapter 1, P.L. 2010, eliminates the five-year “non-forfeitable right to receive benefits” for employees enrolled in any New Jersey State-administered retirement system *after* May 21, 2010.

This provision of Chapter 1 also applies to retirees of a State-administered retirement system who return to covered employment *after* May 21, 2010, with the same retirement system (except for disability retirees approved for return to active employment).

For PFRS members enrolled *on or before* May 21, 2010, the five-year “non-forfeitable right to receive benefits” is maintained if you transfer (see the information below regarding transfers).

TRANSFER OF PFRS MEMBERSHIP AND RETURN TO EMPLOYMENT FROM RETIREMENT

Chapter 1, P.L. 2010, provides that a PFRS member enrolled *on or before* May 21, 2010, who transfers employment within the PFRS, will retain his or her original membership status provided that there has not been a break in membership (two years or more without a pension contribution and/or the member has not withdrawn his or her PFRS account).

If there has been a break in membership, the member has withdrawn his or her account, **or** the member is a PFRS *retiree* who is returning to PFRS covered employment (except for disability retirees approved for return to active employment), upon meeting the eligibility requirements, the member will be regarded as a *new* enrollee; whereupon, the provisions of Chapter 1, P.L. 2010, will apply.

ELIMINATION OF EXCESS FUNDING PROVISIONS

Chapter 1, P.L. 2010, eliminates the provision in PFRS statutes that would permit a member of the PFRS to retire, at any age after 25 years of service credit, on a special retirement allowance of 70 percent of Final Compensation after the retirement system reaches a funded level of 104 percent. This provision applies to **all** PFRS members.

ADDITIONAL INFORMATION

This letter is intended to provide employers with a general overview of the changes put into place by Chapter 1, P.L. 2010. Additional administrative information will become available as the Division of Pensions and Benefits completes the procedural and programming changes needed to implement the provisions of this legislation.

When available, revised publications and forms will be posted to the Division of Pensions and Benefits Web site at: www.state.nj.us/treasury/pensions

If you have general questions regarding Chapter 1, P.L. 2010, or any of 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