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April 1, 2010

TO: Certifying Officers of the State Police Retirement System (SPRS)

FROM: Florence J. Sheppard
Deputy Director, Benefit Operations

SUBJECT: Chapter 1, P.L. 2010 — Pension Changes for the State Police Retirement System (SPRS)

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 State Police Retirement System (SPRS). **Chapter 1, P.L. 2010 is effective May 21, 2010.**

SPRS MAXIMUM SALARY LIMITS

Chapter 1, P.L. 2010, imposes a maximum compensation limit upon which pension contributions will be made for State Police officers who become members of the SPRS *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. The employer will be responsible for the DCRP's matching 3 percent contribution. When a SPRS 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 SPRS members.

CHANGES TO SPRS FINAL COMPENSATION

Chapter 1, P.L. 2010, also changes the calculation of "Final Compensation" used for SPRS retirement. A SPRS 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 (plus maintenance) that provides the largest possible benefit to the member or the member's beneficiary.

For SPRS members enrolled *after* May 21, 2010, this law also affects the calculation of SPRS 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 SPRS enrolled *on or before* May 21, 2010, will continue to have “Final Compensation” based on the compensation in the final year of service (plus maintenance).

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.

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