

# Joint Committee on Public Employee Benefits Reform

Division of Pensions & Benefits  
August 9, 2006

# Overview

- 1 Second largest public employee benefits program in nation
- 1 Mission: to help to attract and retain skilled employees in public service

# Plans Administered

- 9 Pension Systems
- 3 Supplemental Retirement Savings Plans
- State Health Benefits Program
- Voluntary Benefit Plans (§125, LTC, etc.)

# Covered Lives

- 1 740,000+ active and retired participants in Defined Benefit Plans
- 1 16,000+ in Defined Contribution Plan
- 1 802,000+ covered lives in SHBP
- 1 122,000+ in Voluntary Benefits Plans

# Participating Employers

## 1 1,700 state and local employers

- State Departments, Authorities & Commissions
- Police & Fire Departments
- Municipalities
- Counties
- Colleges & Universities
- School Boards
- Local Authorities & Commissions

# Defined Benefit Plans

- | Public Employees Retirement System – 322,985
- | Teachers' Pension & Annuity Fund – 154,854
- | Police and Firemen's Retirement System – 45,263
- | State Police Retirement System – 2,950
- | Judicial Retirement System - 427
- | Prison Officers Pension Fund (closed 1960)
- | Consolidated Pension Fund (closed 1955)
- | Central Pension Fund (closed)



# Pension System Enrollment

## 1 Condition of Employment

### Ø Earn Service Credit

- § vesting, benefits eligibility & calculation

### Ø Salary History

- § For benefits calculation

### Ø Group Life Insurance Coverage

### Ø Employee Contributions

- § PERS & TPAF = 5%

- § PFRS = 8.5%

- § SPRS = 7.5%

# Retirement Benefits

## PERS & TPAF

### IRC 401(a) Defined Benefit Plan

#### PERS

Active – 322,985

Retired – 121,177

#### TPAF

Active – 154,854

Retired – 65,401



# Retirement Eligibility

- 1 Service – Age 60
- 1 Early – 25 years service  
(Reduced Under 55)
- 1 Deferred – 10 years of service  
(Collect at age 60)
- 1 Veteran
- 1 Disability

# Basic Benefit Formula (PERS & TPAF)

$$\frac{\text{Years/Months}}{55} \times \text{FAS} = \text{Gross Annual Pension}$$

Service Credit includes all service  
Worked & Purchased

FAS = Final Average Salary  
Usually last 3 years

# Special Benefit Formulas (PERS & TPAF)

## 1 Veterans Retirements

54.5% or more X Highest Year Salary

## 1 Disability Retirements

Ordinary = 43.6% FAS

Accidental = 72.7% Salary at time of Accident

# Active Death Benefits

Return of Contributions (plus interest)  
+  
Group Life Insurance Benefit

# PERS Active GLI

Non-Contributory = 1.5 x last year salary

Contributory = 1.5 x last year salary

Total Value = 3 x last year salary

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Employee Premium = .50 of 1% of base salary

# TPAF Active GLI

Non-Contributory = 1.5 x last year salary

Contributory = 2 x last year salary

Total Value = 3.5 x last year salary

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Employee Premium = .40 of 1% of base salary



# Retired Group Life Insurance PERS and TPAF

If retired with 10+ years Service Credit

## Paid up Death Benefit

PERS =  $\frac{3}{16}$ th of last year salary

TPAF =  $\frac{7}{16}$ th of last year salary

# Retirement Benefits

## PFRS & SPRS

### IRC 401(a) Defined Benefit Plan

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#### PFRS

Active – 45,263

Retired – 29,192

#### SPRS

Active – 2,950

Retired – 2,299

# Retirement Eligibility

- 1 Service – 3 types, usually age 55
- 1 Mandatory
  - § PFRS at 65
  - § SPRS at 55
- 1 Special – 25 years Service Credit
- 1 Deferred – 10 years of service  
(Collect at age 55)
- 1 Disability

# Retirement Benefits

- 1 Service Retirement
  - § Usually 50%+ x Final Compensation
- 1 Special Retirement
  - § 65%+ x Final Compensation
- 1 Deferred Retirement
  - § 2% Final Compensation x Years Service
- 1 Disability Retirements
  - § 40% - 67% x Final Compensation

# Active Death Benefits

If not in Line of Duty

Survivor Pension  
(50% Final Comp)

+

Group Life Insurance Benefit  
(3.5 x Final Comp)

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Final Comp = High 12 months salary

# Active Death Benefits

Accidental Death

Survivor Pension  
(70% Final Comp)

+

Group Life Insurance Benefit  
(3.5 x Final Comp)



# Retired Survivor Benefits

50% Pension to Surviving Spouse  
+  
50% Final Comp Life Insurance Benefit

# Cost of Living Adjustments

Two years after retirement

Yearly thereafter

$.60 \times \% \text{ change in CPI}$

# Purchase of Service Credit

Why?

To reach threshold for

- Ø Retirement eligibility
- Ø Retired health benefit eligibility
- Ø Increase overall pension benefit

# What Can You Purchase?

- 1 Temporary Service
- 1 Leave of Absence
- 1 Former Membership
- 1 Out-of-State Service
- 1 Uncredited Service
- 1 Local or Municipal Service
- 1 U.S. Government Service
- 1 U.S. Military Service

# Pension Loans

3 years posted service

1/2 of posted contributions

2 loans per calendar year

Repayment through Payroll Deductions

Interest rate is 4%

Loans may be paid in full at any time

# Terminating Membership

If Terminate NJ Public Employment and  
Not Eligible for Retirement Allowance:

- | Account Expires After 2 Years, and
- | Must Withdraw Contributions from System



# Post-Retirement Employment

- 1 Cannot return to work under same NJ retirement system ( \$ Thresholds)
- 1 Still allows work in:
  - Ø Private Industry
  - Ø Federal Government
  - Ø Other State Government
  - Ø Position covered by different NJ Retirement system

# Defined Contribution Plan

## Alternate Benefits Program

### IRC 403(b) Plan

- 1 State College & University Faculty
- 1 16,920 members

# ABP

## 1 Eligibility

Full-time faculty, officers, some administrators  
at NJ Community Colleges, State Colleges and  
Universities & HESAA

# ABP

## 1 Contribution Rate:

Member = 5% (tax deferred)

Employer = 8%

## 1 Vested after 1 year

## 1 Additional tax deferred contributions permitted

# ABP

- 1 6 Approved Carriers for Investment
- 1 Group Life Insurance – employer paid
  - Benefit =  $3.5 \times$  last 12 months salary
  - Retired GLI benefit = 50% final salary
- 1 Long Term Disability Benefit = 60%

# ABP

## 1 Retirement Benefits Payable

Earliest at 59-1/2

- § Lump Sum Distribution and/or
- § Life Annuity, or
- § Fixed Annuity



# Voluntary Benefits Plans

- 1 Supplemental Retirement Savings Accts

- 1 Total 38,000+ members

  - NJSEDCP – 457 plan for State employees

  - SACT – Tax Sheltered – 403b for Educators

  - SACT – Regular – all public employees

  - ACTS – 403b for College/University faculty

# Supplemental Retirement Savings Accounts

- 1 Deferred Compensation (§ 457)
  - State employees only
- 1 Supplemental Annuity Collective Trust
  - Regular (post-tax)
  - Tax Sheltered (Education only)
- 1 Additional Contributions Tax Sheltered
  - Higher Education

# NJ State Employees Deferred Compensation Plan (§ 457)

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Open to all state employees

Minimum: 1% of base salary

Maximum: \$15,000 for 2006  
\$20,000 if over 50

# Supplemental Annuity Collective Trust - § 403(b)

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## SACT Regular

Open to all NJ public employees

Post-tax contributions

1 – 10% of Base Salary up to \$15,000

Quarterly adjustments allowed

Distribution at retirement, termination or  
death

# Supplemental Annuity Collective Trust - § 403(b)

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## SACT Tax-Sheltered

Open to all NJ public education employees

Pre-tax contributions

1 – 10% of Base Salary up to \$15,000

Quarterly adjustments allowed

Distribution at retirement, termination or death



# Additional Contributions

## Tax-Sheltered - § 403(b)

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Open to NJ Higher Education employees

Pre-tax contributions

1 – 10% of Base Salary up to \$15,000

Quarterly adjustments allowed

Investment Options: Same as ABP

Distribution at retirement, termination or death



# NJ State Health Benefits Program

1 802,000 Covered Lives

7 Health Plans

11 Dental Plans

Rx Plan

§ Active Group

§ Retired Group

1 \$3 Billion Program

# NJ State Health Benefits Program

## 1 State and Local Employer Groups

- Ø State Bi-weekly and Monthly
- Ø Local Education
- Ø Local Non-Education

## 1 Active & Retired Group Coverage

7 Health Plans

11 Dental Plans

2 Rx Plans

# NJ State Health Benefits Program

## 1 State employee contracts

### Active Group

§ 113,000 Medical & Rx

§ 103,000 Dental

### Retired Group

§ 34,000 Medical & Rx

§ 10,000 Dental (retiree pay)

# NJ SHBP

## 1 Local Education & Municipal Contracts

981 Participating Employers

### Active Group

§ 119,200 Medical

§ 34,500 Rx

§ 1,100 Dental

### Retired Group

§ 91,500 Medical

§ 28,900 Dental

# NJ SHBP

## 1 Medical Plan Offerings (Active & Retired)

Traditional (Indemnity) – 127,000 total contracts

NJ PLUS (POS) – 158,000 contracts

HMOs – 75,000 Contracts

Aetna Health

Cigna HealthCare

Oxford

AmeriHealth

Health Net



# NJ SHBP

## 1 Rx Coverage

### Active Member Co-Pay

- § 2 tier copay (generic, name brand)
- § Retail Pharmacy – 30 day supply
- § Mail Order – 90 day supply

### Retired-Member Co-Pay

- § 3 tier copay (generic, preferred name brand, other)
- § Retail Pharmacy – 30 day supply
- § Mail Order – 90 day supply



# NJ SHBP

- 1 Dental Coverage –
- 1 Active Employee
- Dental Expense Plan (Indemnity)
- 10 Dental Plan Organizations (DPO)

BeneCare	Community Dental
CIGNA Dental	Group Dental Health
Flagship Dental	Dental Group of NJ
Horizon Dental	Aetna DMO

# NJ SHBP

## 1 Retiree Dental Coverage –

Dental Expense Plan (Indemnity) only

Member Pays Premium

# Voluntary Benefit Plans

- 1 Tax\$ave – Medical
  - 3 plans w/ 84,800 participants
- 1 Commuter Tax\$ave
  - 2 plans w/ 1,113 participants
- 1 Long-Term Care
  - Flexible savings plan with 3,000 participants

# Tax\$ave – Medical

## § 125 Plans for State Employees

### 1 Premium Option Plan

- Pre-tax medical premium payments

### 1 Unreimbursed Medical Spending Account

- Pre-tax Medical Expense Reimbursement

### 1 Dependent Care Spending Account

- Pre-tax dependent care reimbursement

# Commuter Tax\$ave

## § 132 Plan for State Employees

Pre-tax dollars for commuter expenses

- | Mass Transit Expenses
- | Commuter Parking Expenses

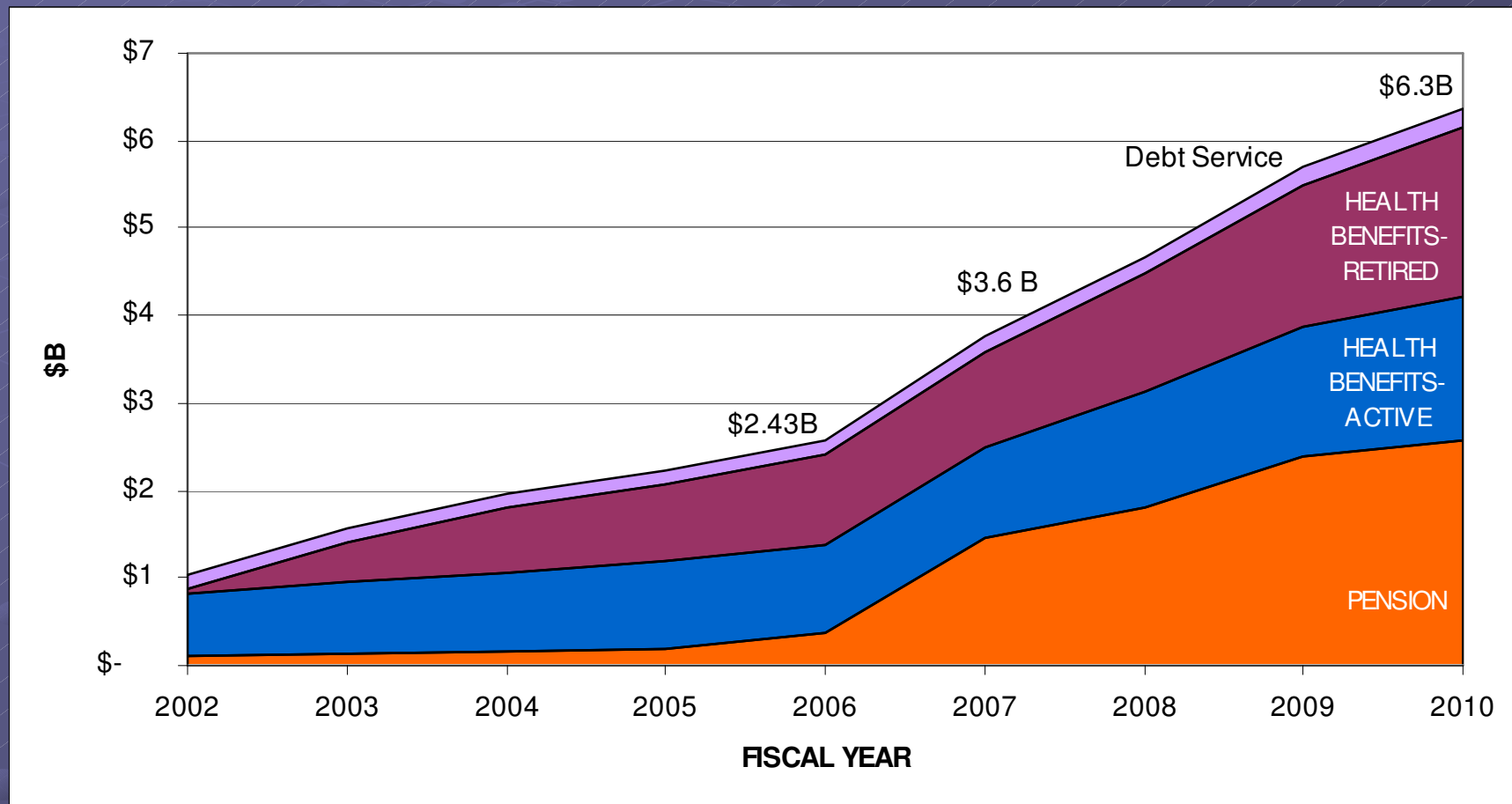
# Long-Term Care Insurance

Open to State employees, dependents and retirees

Pre-tax dollars accrue to defray long-term care costs

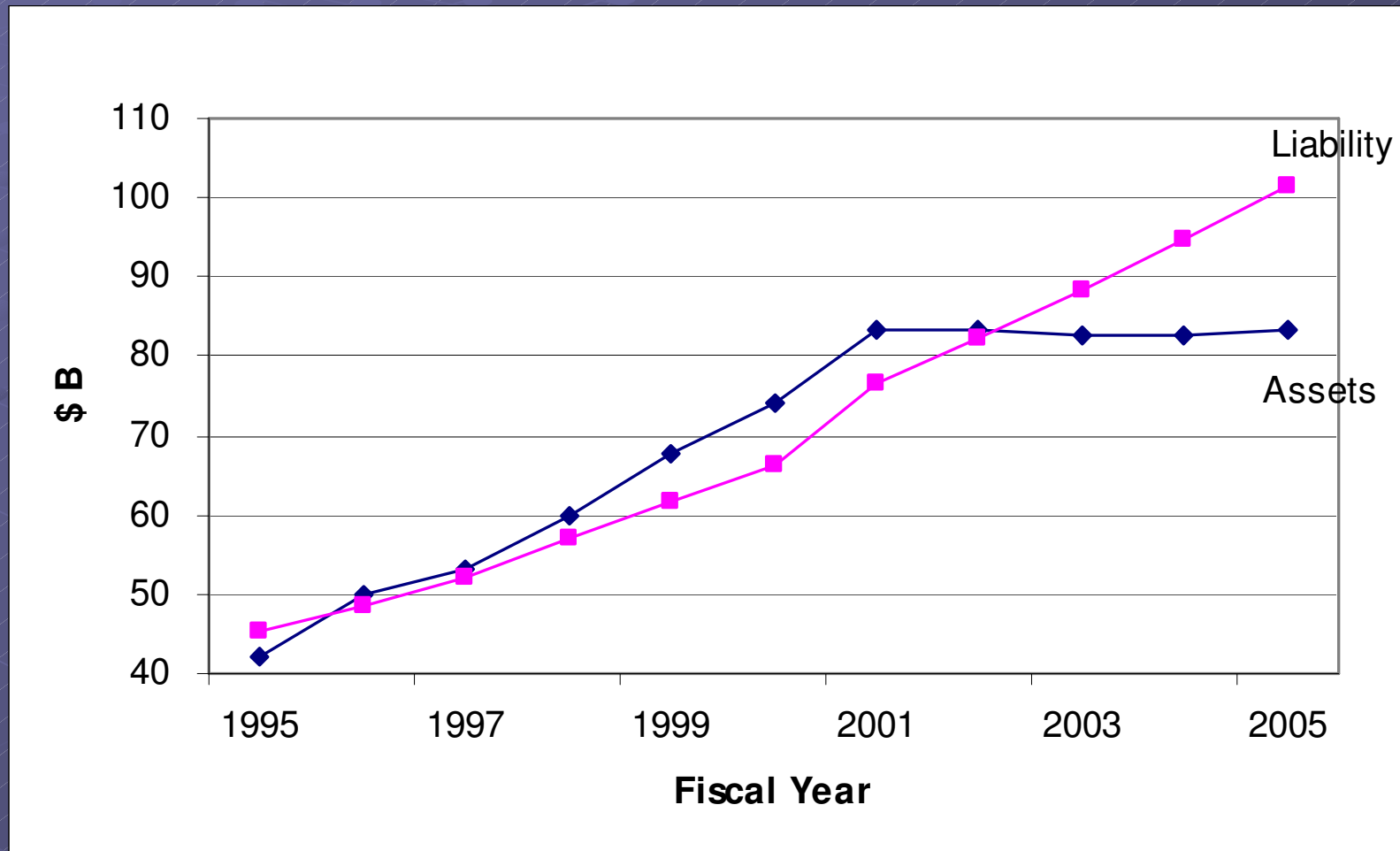


# State Benefit Program Spending



# Asset/Liability Comparison All Systems

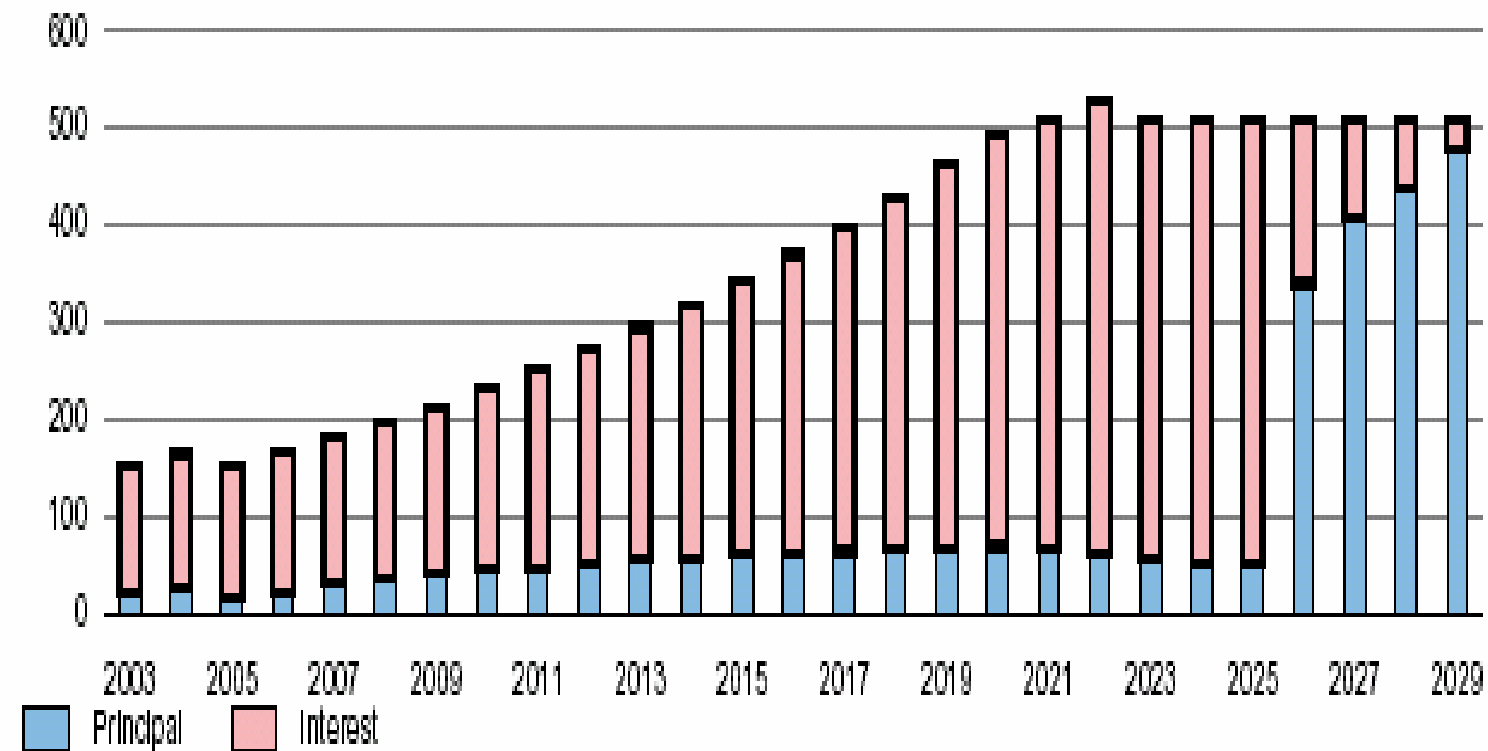
## Funded Ratio: 82.3%



# Debt Service On Pension Bonds

## Outstanding Pension Bond Debt Service

\$MM



# Questions