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July 14, 2011

**TO:** Certifying Officers of the State Police Retirement System

**FROM:** Florence J. Sheppard   
Acting Director, Division of Pensions and Benefits

**SUBJECT: Chapter 78, P.L. 2011 — Pension Changes for the State Police Retirement System (SPRS)**

Governor Christie recently signed **Chapter 78, P.L. 2011**, into law which implements changes to the State-administered retirement systems. This letter addresses the changes specific to the State Police Retirement System (SPRS). **Chapter 78, P.L. 2011 became effective June 28, 2011.**

**Note:** This letter addresses pension-related changes under Chapter 78, P.L. 2011. Information about changes to employee health benefits will be provided through separate correspondence.

### **SPRS EMPLOYEE CONTRIBUTION RATE**

Under the provisions of Chapter 78, P.L. 2011, SPRS employee pension contribution rates will increase from 7.5% to **9%** of salary.

For SPRS members the increase is effective with Pay Period #21 (begins September 24, 2011 and reflected in the October 14, 2011 check date).

The increase in the SPRS employee contribution rate will also increase the minimum repayment amount for pension loans or the cost for a purchase of service credit if certified after the employee's effective date of change.

### **NO CHANGES TO SPRS RETIREMENT OR FINAL COMPENSATION**

Chapter 78, P.L. 2011, did not change any of the requirements for retirement or the calculation of Final Compensation\* used for the SPRS. A SPRS member who is enrolled *after* the effective date of Chapter 78, June 28, 2011, is to be enrolled under current **SPRS Tier 2 Membership**. Specific details about SPRS Membership Tiers are available in the *SPRS Member Handbook*.

\*Tier 2 Final Compensation is 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.

## COLA SUSPENDED FOR ALL RETIREES

Under a provision of Chapter 78, P.L. 2011, **Cost-of-Living Adjustments (COLA) are suspended** for all current and future retirees of all retirement systems — including the SPRS. There is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

Chapter 78 also provides for the establishment of a Pension Committee which may consider reinstating the COLA when the retirement system reaches a “target funded ratio” established by the law. At that time, the Pension Committee shall give the reactivation of the COLA priority consideration.

**Note:** “Target funded ratio” means a ratio of the value of assets against the accrued liabilities of 75% and increasing annually by equal increments over seven fiscal years to a ratio of 80%.

## ADDITIONAL INFORMATION

This letter is intended to provide employers with a general overview of the changes put into place by Chapter 78, P.L. 2011. 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](http://www.state.nj.us/treasury/pensions)

If you have general questions regarding Chapter 78, P.L. 2011, or any of the information provided in this letter, contact the Division’s Employer Education Unit at (609) 292-7524, or e-mail the Division at: [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us)