



PENSION JUSTICE!

EQUITY-SECURITY-DIGNITY

What is DCRP and how does it impact the pension system?

| | TIER 1 | TIER 2 | TIER 3 | TIER 4 | TIER 5 |
|-----------------|-----------------------------------|---|---|--|---------------------------|
| ENROLLED | before July 1, 2007 | on or after July 1, 2007, and before Nov. 2, 2008 | on or after Nov. 2, 2008, and on or before May 21, 2010 | after May 21, 2010, and before June 28, 2011 | on or after June 28, 2011 |
| | Minimum Salary Requirement | | | Minimum Hour Requirement | |
| PERS | \$1,500 annually | \$1,500 annually | \$9,300 in 2024 — is adjusted annually* | 32 hours/week K-12; higher education employers 35 hours/week | |
| TPAF | \$500 annually | \$500 annually | \$9,300 in 2024 — is adjusted annually* | 32 hours/week K-12; higher education employers 35 hours/week | |

***Note:** Must have a minimum salary of \$5,000 to enroll in DCRP.

What does DCRP have to do with the pension tiers?

In addition to making changes to the retirement age and value of the pension, the tiers also changed who qualifies to be in the pension system. Anyone who does not qualify receives a retirement savings account, rather than a reliable pension benefit.

What is the Defined Contribution Retirement Program (DCRP)?

The DCRP is a retirement savings account, like a 403(b) or 401(k). The chart above illustrates who is enrolled in DCRP. Members in tiers 1, 2 and 3 who make under the minimum salary requirement are enrolled in DCRP. Member in tiers 4 and 5 are enrolled in DCRP if they do not work the required minimum hours.

DCRP is not a pension, but rather a savings account where the employee contributes 5.5% of salary and the employer provides a 3% match. Members who are in DCRP because they do not meet the salary

or hourly requirements do not qualify for state-sponsored post-retirement medical benefits.

Why is a pension better than DCRP?

Pension funds are pooled together and professionally invested and managed. Pooling together of assets allows for access to a broader variety of investments and access to high return private equity investments. DCRP members can only choose from the funds offered through Empower, the provider for DCRP. They cannot move their money elsewhere, even if they later become employed in a pensionable position.

Years worked in DCRP do not count toward the pension system and cannot be purchased into the pension should a member eventually be in a full-time position that enrolls them in PERS. DCRP years also do not count toward post-retirement medical. For example, if a member works a job for 30 hours/week for 15 years, and then works 32 hours/week for 20 years and retires, they will not qualify

for state sponsored post-retirement medical benefits.

I am in the pension — why should I be concerned that many members are in DCRP?

As more people enroll in DCRP, there are fewer people contributing to the pension. Pension systems need new employees who are far from retirement to ensure the funds don't become at risk during economic downturns.

Sign up to be a Pension Justice Activist

Use the QR Code to sign up today!
njea.org/pensionjustice

