

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

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. Members 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 benefits.* 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.

Learn more about Tier 1 and download your petition here!



	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.



10 MINUTE MEETING

INTRODUCTION: *How we got here* (4 Minutes)

TIER 1 *for* Everyone

PURPOSE: To educate members about the problems created by an unfair tiered pension system, to explain how Tier 1 for Everyone will benefit everyone, and to mobilize members to work for passage of Tier 1 for Everyone legislation so that it can be signed by Gov. Murphy before he leaves office.

For the past two years, NJEA local leaders and staff have worked together to educate fellow members and state legislators about the unfairness of the tiered pension system.

The facts:

All aspects of our job – salary, health benefits, retirement benefits, evaluations, curriculum – are impacted by decisions made by elected officials at the local, state and federal levels.

The date you were hired, your job title, where you work, and the number of hours you work per week, determine whether you are eligible for a public pension and how that pension is calculated.

For years, the state did not meet its financial obligations to fund the pension. While our members always made their contributions – the state skipped or made partial payments – to the point where it put the pension system in financial jeopardy.

And because the state did not do its part, more tiers and DCRP were added to the pension system. DCRP, stands for Defined Contribution Retirement Program -- which is not a pension, but a retirement savings account.

Most of us belong to either TPAF or PERS. But many members, particularly K-12 support staff members, are not in a pension system at all and do not qualify for post-retirement medical benefits. Instead, they are stuck with DCRP.

Anyone hired in K-12 public education or in higher education after May 21, 2010, must work 32 hours a week (or 35 hours per week for some higher education positions) to enroll in a pension.

Anyone under the minimum hours threshold is enrolled in DCRP.

The tiering of the pension system has made it so that tens of thousands of our members earn a much lower pension or no pension.



- These tiers divide us as union members.
- Tier 5 adds severe penalties for those who retire prior to age 65 – even if they have 30 or more years of service.
- DCRP is not a financially secure retirement – and members in this program do not accrue hours of credit towards post-retirement medical benefits – even if they work over 30 hours and qualify for employer-sponsored health insurance!

School districts are not informing members about the different pension tiers or DCRP. That is why we are educating our members.



TIER 1 for Everyone



-  **Our objective:** A stronger and fairer pension system to attract and retain great educators and strengthen the workforce that supports the nation's best public schools.
-  **Our proposal:** NJEA supports A5158/S3998 and A5160/S3997, legislation which would move all TPAF and PERS members to current Tier 1 by eliminating Tiers 2-5.

Where our pensions stand now:

- Financially, New Jersey's pension systems are the strongest they have been in decades. As a result of fiscally responsible budgeting by Gov. Murphy, legislative leaders and individual legislators from both parties, New Jersey is on a path to fully funding its pension systems and keeping its pension promise to educators and other public employees.
- However, as a result of poor fiscal choices in the past, previous governors and legislative leaders created multiple tiers in the pension system, each one worse than the one before it.
- None of those four additional tiers fixed the pension systems' funding issues, but each of them made the public employees who rely on their pension less secure and less likely to stay long enough to earn a pension.

How this affects educators and hurts New Jersey:

- As of this year, approximately half of all NJEA members are in Tier 5, a far inferior pension.
- Pension Tier 5 employees (hired after June 28, 2011) pay nearly 94% of the cost of their pensions, or \$15 for every \$1 the state contributes.
 - By contrast, members in Tier 1, who were hired before July 1, 2007, contribute almost exactly half of the cost of their pension: \$1 for each \$1 the state contributes. This is a much fairer division of contributions.
- Because of how Tier 5 is structured, it provides almost no incentive for school employees to remain in education for their entire careers.
 - A 22-year-old graduate who began work this year would need to work for 43 years to receive an unreduced pension. And they must pay \$15 toward their pension for every \$1 the state contributes.
 - 43 years is far beyond any reasonable definition of a "career" and is not a reasonable pension requirement.

- Far too many Educational Support Professionals are stuck in the Defined Contribution Retirement Plan (DCRP), an inferior system that does not provide any measure of security or dignity in retirement.
 - That plan discriminates lower-paid workers who already face the greatest economic challenges.
- According to recent research, 25% of New Jersey educators plan to leave the profession before retirement and nearly two-thirds of those are considering leaving within the next two years.
 - 95% of educators surveyed agree that improving pension benefits would help address educators burnout and the desire to leave the profession.
- At a time when schools are struggling to hire and keep the people necessary to safely and effectively educate and protect students, an inferior pension system is an impediment to ensuring that New Jersey retains access to the best professional educators for decades to come.

How we can fix our pension systems:

- The cost to eliminate Tiers 2-5 and restore equity and dignity for new employees is much lower than expected.
- The state's actuaries calculate that it would cost the state only \$436 million to move every current TPAF and PERS local employee back into Tier 1. That represents less than a 9% increase to the state's current annual TPAF and PERS contribution.
- For that amount of additional pension funding by the state, we could wipe out the inequity of the pension tiers and once again make our pension systems a tool to attract and retain the best school employees in the nation.

**Learn more and download
your petition here!**

This work is important, and nothing important is easy. NJEA members will work as long as necessary to achieve the pension justice we all deserve. **Please be part of our progress by signing the Tier 1 for Everyone petition today!**



njea[®] TIER 1

for Everyone

Note: For enrollment in the pension system there is a minimum salary required for tiers 1-3 and a minimum number of hours required for tiers 4 and 5. Any K-12 employee hired on or after May 21, 2010, must work at least 32 hours to be eligible for enrollment in the pension system. Anyone hired on or after May 21, 2010, who works less than 32 hours is enrolled in the Defined Contribution Retirement Program (DCRP), a retirement saving account.

*Tier 5 applies to all new employees and anyone who had an account in an earlier tier that became inactive. Pension accounts become inactive 24 months after the end of a board-approved leave of absence.

BENEFIT					
	TIER 1 Hired prior to July 1, 2007	TIER 2 Hired prior to Nov. 2, 2008	TIER 3 Hired prior to May 21, 2010	TIER 4 Hired prior to June 28, 2011	TIER 5 Hired after June 28, 2011
Enrollment	TPAF - \$500 salary PERS - \$1,500 salary	TPAF - \$500 salary PERS - \$1,500 salary	Based on an increasing salary (\$9,600 for 2025)	Need to work minimum 32 hours	Need to work minimum 32 hours
Normal Retirement Age	60 Years Old	60 Years Old	62 Years Old	62 Years Old	65 Years Old
Final Average Salary	Average of highest three years	Average of highest three years	Average of highest three years	Average of highest five years	Average of highest five years
Formula	Years of Service/55 X Final Average Salary	Years of Service/55 X Final Average Salary	Years of Service/55 X Final Average Salary	Years of Service/60 X Final Average Salary	Years of Service/60 X Final Average Salary
Early retirement Penalty	<ul style="list-style-type: none"> • Must have 25 years of service • 3% per year under age 55, no penalty between 55-60 	<ul style="list-style-type: none"> • Must have 25 years of service • 3% per year under age 55, 1% per year between 55-60 	<ul style="list-style-type: none"> • Must have 25 years of service • 3% per year under age 55, 1% per year between 55-62 	<ul style="list-style-type: none"> • Must have 25 years of service • 3% per year under age 55, 1% per year between 55-62 	<ul style="list-style-type: none"> • Must have 30 years of service • 3% per year under age 65