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**A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS & BENEFITS**


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# DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP) FOR ELECTED AND APPOINTED OFFICIALS

Elected and Appointed Officials

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The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

## ELIGIBILITY

Individuals eligible for membership in the DCRP include:

- **State or local officials** who are elected or appointed *on or after* July 1, 2007;
- **Employees enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF)** *on or after* July 1, 2007, who earn salary in excess of established "maximum compensation" limits;
- **Employees enrolled in the Police and Firemen's Retirement System (PFRS) or State Police Retirement System (SPRS)** *after* May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- **Employees otherwise eligible to enroll in the PERS or TPAF** *on or after* November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually; (The minimum is \$8,300 in 2017, subject to adjustment in future years.)
- **Employees otherwise eligible to enroll in the PERS or TPAF** *after* May 21, 2010, who do not work the *minimum* number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. (The minimum is 35 hours per week for State employees, or 32 hours per week for local government or local education employees.)

**This fact sheet addresses DCRP membership for elected and appointed officials.**

- Employees enrolled in the PERS, TPAF, PFRS, or SPRS should refer to Fact Sheet #79, *DCRP for PERS, TPAF, PFRS, and SPRS Members*.
- Employees eligible for the DCRP because they do not meet the minimum salary or hours for the PERS or TPAF should refer to Fact Sheet #82, *DCRP if Ineligible for the PERS or TPAF*.

State and local officials who are *elected or appointed on or after* July 1, 2007, are eligible for enrollment only in the DCRP.

- An **elected official** is any individual who holds a State or local (county, municipal, etc.) elected public office.
- A **State appointee** is any individual appointed by the Governor, including those requiring the advice and consent of the Senate, or pursuant to an appointment by the Governor, to serve at the pleasure of the Governor only during his or her term of office.
- A **local appointee** is any individual appointed by the Governor, including those requiring the advice and consent of the Senate; or an individual appointed in a substantially similar manner by the governing body of a local public entity (county, municipality, school board, etc.).

**Elected Officials**

- An **elected official** who was already enrolled in the PERS *prior to* July 1, 2007, based on an elected office, will remain a PERS member while continuing to serve in that elected office.
- A **newly elected official** will only be enrolled in the DCRP and cannot enroll in the PERS.
- Under N.J.S.A. 43:3C-3, a **retired** member of a State-administered retirement system who is *elected* to public office may **either** continue to receive a retirement benefit from the former employment and would be ineligible for enrollment in the DCRP **or** may suspend the retirement benefit from the former employment and enroll in the DCRP while serving in the elected office (upon termination of the elected office, the retirement benefit from the former employment would be reinstated).

**Appointed Officials**

- A **newly appointed official** who does not have an existing PERS account will only be enrolled in the DCRP and cannot enroll in the PERS.
- An **appointed official** who was already enrolled in PERS *after* July 1, 2007, **will not** be eligible to remain a PERS member while serving in the appointed position and must be enrolled in the DCRP.
- An **appointed official** who was already enrolled in the PERS *prior to* July 1, 2007, will remain a PERS member while serving in the appointed position.
- Similarly, a regular employee who was enrolled in the PERS *prior to* July 1, 2007, who is appointed — without a break in membership — to a DCRP-eligible position *on or after* July 1, 2007, will remain a PERS member while in the appointed position.
- An **appointed official** serving in a position that is otherwise eligible for membership in the TPAF, PFRS, SPRS, or JRS will not be enrolled in the DCRP. In these instances, application should be made to enroll in the other retirement system regardless of any former retirement system affiliations.
- If a **retired** member of another State-administered retirement system is *appointed* to a DCRP-eligible position, the appointee may **either** continue to receive the retirement benefit from the former employment and would be ineligible for enrollment in the DCRP, **or** may suspend the retirement benefit from the former employment and enroll in the DCRP while in the appointed position (upon termination of the appointed position, the retirement benefit from the former employment would be reinstated).

**Note:** *Appointed titles that are ineligible for DCRP participation are: Certified Health Officer, Tax Assessor, Tax Collector, Municipal Planner, Chief Financial Officer, Registered Municipal Clerk, Construction Code Official, Licensed Uniform Subcode Inspector, Qualified Purchasing Agent, or Certified Public Works Manager.*

**ENROLLMENT**

The employer is responsible for enrolling an eligible elected or appointed official — as of the starting date in the elected or appointed office — by submitting a DCRP Enrollment Application to the Division of Pensions & Benefits via the Employer Pensions and Benefits Information Connection (EPIC).

Enrollment is **required** for eligible elected or appointed officials. Except for the specific circumstances described above, there is no other option for waiver of DCRP enrollment.

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When enrolled, the elected or appointed official contributes 5.5 percent of the base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP with the Division of Pensions & Benefits. Member contributions are matched by a 3 percent employer contribution.

Contributions are required from the date of DCRP eligibility. If any back deductions are owed, employers must schedule and remit them to the DCRP.

**Salary Requirements**

A newly elected or appointed official must earn a minimum annual base salary of \$5,000 to be eligible to participate in the DCRP.

**Vesting**

If a newly elected or appointed official has an existing DCRP account, or is a member of another State-administered retirement system, the official is immediately vested in the DCRP. As a vested member, you have a right to a benefit at retirement based on both the employee and employer contributions to the DCRP.

If a newly elected or appointed official does not qualify for immediate vesting in the DCRP, the employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully vested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a withdrawal of the employee contributions from the DCRP, while the employer contributions will revert back to a forfeiture account for the employing location.

**Withdrawal**

Withdrawal occurs when a non-vested DCRP member separates from covered employment and submits a request to Prudential for a withdrawal of contributions. Only the member's contributions are available for withdrawal — employer contributions are forfeited. After a withdrawal, the individual is eligible for reenrollment in the DCRP, or enrollment in another New Jersey State-administered retirement system, upon a return to covered employment.

**Retirement**

Retirement occurs when a vested DCRP member separates from covered employment and elects to receive a distribution of funds containing both employer and employee contributions and interest. This action deems the former participant as "retired" and, therefore, ineligible to re-enroll in the DCRP or participate in *any other* New Jersey State-administered retirement system.

**APPLYING FOR RETIREMENT**

Six months before retirement, a member should contact the employer and Prudential Financial for information regarding DCRP benefits and options.

A DCRP member may elect to receive all or a portion of his or her account in a lump-sum distribution, or in a variety of periodic payment methods. Please contact your administrative services provider for more information. **All returns of contributions and earnings are considered taxable in the year they are received;** therefore, the type of payout plan should be considered carefully prior to retirement.

There is no minimum retirement age under the DCRP. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions.

A member may take a distribution at any time after termination of employment; however, if you return to public employment in New Jersey, you cannot participate in any State-administered retirement system. **DCRP members considering future employment** in a position covered by any of the State-administered retirement systems **should carefully consider this impact before requesting a distribution.**

### **Health Benefits at Retirement**

It is important to note that service time from enrollment in the DCRP cannot be used to qualify for State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) coverage at retirement. Please contact your employer's human resources office or benefits administrator to ask about health benefit coverage options available in retirement.

### **LIFE INSURANCE COVERAGE**

While serving in an elected or appointed office, DCRP members are covered by employer-paid life insurance, payable to their designated beneficiaries, in the amount of 1½ times the annual base salary on which DCRP contributions were based. This coverage is available without a medical examination to members under age 60. Newly enrolled members 60 years of age or older must undergo a medical examination to qualify.

DCRP members will continue to be insured for up to two years if on an approved leave of absence without pay for personal illness.

**Note:** The Internal Revenue Service classifies all life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of the life insurance coverage is not taxable, but the premium required to pay for the life insurance coverage is taxable. Members can elect to waive insurance coverage over \$50,000 at any time. For more information on this topic, see Fact Sheet #22, *Waiver of Noncontributory Group Life Insurance over \$50,000*.

**Upon retirement**, life insurance under the DCRP reduces to 3/16 of the annual base salary on which DCRP contributions were based.

This life insurance coverage is available in retirement only to:

- Members age 60 or older if the member has completed 10 years of participation in the DCRP; or
- Members of any age if the member has completed 25 years of participation in the DCRP.

The member must have been an active employee in the 12 months immediately preceding the initial receipt of a retirement annuity payment.

### **Conversion**

Other than the retired insurance benefit described above, life insurance coverage under the DCRP ceases 31 days after termination of employment. During the 31-day period following termination of employment, a member may convert existing group life insurance coverage (less any amount of coverage carried over into retirement) into an individual whole-life policy, without medical examination. For more information, see Fact Sheet #13, *Conversion of Group Life Insurance*.

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**LONG-TERM DISABILITY COVERAGE**

A member is eligible for employer-paid long-term disability insurance coverage after one year of participation in the DCRP.

The member becomes eligible for the disability benefit after six consecutive months of total disability due to an occupational or nonoccupational condition.

To be considered totally disabled due to sickness or accidental bodily injury, the member must be unable to perform any and every duty pertaining to his/her occupation. The member need not be confined to home, but must be under a doctor's regular care.

If a member is totally disabled, the member is eligible to receive a regular monthly income benefit up to 60 percent of the base salary on which DCRP contributions were based during the 12 months preceding the onset of the disability. While disabled, the member's and the employer's mandatory contributions are automatically credited to the member's retirement account.

The monthly income benefit is offset by any other periodic benefit the member may be receiving, such as Workers' Compensation, short-term disability, or Social Security. Eighteen months after the onset of long-term disability eligibility, the member must be unable to engage in any gainful occupation for which he or she is reasonably suited by education, training, or experience. Total disability is not considered to exist if the member is gainfully employed, incarcerated, or if the disability resulted from an act of war or was intentionally self-inflicted.

Long-term disability benefits will be paid as long as the member remains disabled or until the member attains age 70. These benefits terminate if the member begins receiving payments under the retirement annuity.

**CONTACTING DCRP**

For more information regarding the Defined Contribution Retirement Program, please visit Prudential's DCRP Web site at: [www.prudential.com/njdcrp](http://www.prudential.com/njdcrp) or call toll-free 1-855-657-5267.

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This fact sheet has been produced and distributed by:

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This fact sheet is a summary and not intended to provide all information.

Although every attempt at accuracy is made, it cannot be guaranteed.

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