The impact of Chapter 78 on your take-home pay

When does the new law affect me?

While NJEA members await the outcome of the lawsuit filed on Aug. 31, they will feel the impact of the new pension and benefits legislation, now known as **Public Law 2011, Chapter 78**. This impact includes increased payroll deductions for health insurance premiums and additional pension contributions. Health insurance premium deductions authorized under Chapter 78 do not become effective until your local association's collective bargaining agreement that was in effect on June 28, 2011, expires.

For example, if your local association completed the second year of a three-year collective bargaining agreement on June 28, 2011 (i.e. the agreement expires on June 30, 2012), you will not be subject to the increased health benefits contributions in the 2011-12 school year. The increased contribution phase-in will begin in your school district on July 1, 2012.

Administrative feasibility

A school district may not initiate the new health insurance premium deductions until it is administratively feasible to do so. In some districts deductions have already commenced, but if your district does not begin to make deductions until Nov. 15, it cannot retroactively deduct health insurance contributions from your July through October paychecks.

However, the increase from a 5.5 percent to a 6.5 percent of salary pension contribution will take effect in the first payroll after Oct. 1, 2011, for all members of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS). An additional 1 percent increase will be phased in over seven years starting July 2012 until a 7.5 percent contribution level is reached in July 2018.

Calculating your pension contribution

For the 2011-12 school year, the pension contribution for both teachers and educational support professionals is **6.5 percent** of your pensionable salary. For most school employees, your pensionable salary is your base salary as listed in your salary guide plus any longevity paid to you as part of your regular paycheck. However, some collective bargaining agreements permit pay for an additional teaching period to be pensionable. If you receive pay above your base salary, check your collective bargaining agreement to see if that additional payment is pensionable.

A teacher, Mary Smith, makes $63,000 in gross pensionable salary. She multiplies that figure by 6.5 percent and finds that her total pension contribution for the 2011-12 school year will be $4,095. Mary is paid twice per month over 10 months, receiving 20 paychecks per year. She divides $4,095 by 20 and finds that each paycheck should reflect at $204.75 pension contribution.

A custodian, John Wilson, earns $39,000, and receives 24 paychecks per year. He multiplies his salary by 6.5 percent and finds that his annual contribution is $2,535. Dividing that by 24, he finds that his per paycheck contribution is $105.63.

What you need to calculate your health insurance premium

Before you can calculate how much should be deducted from your paycheck for your health insurance premium, you need to know whether or not your district participates in the School Employees' Health Benefits Program (SEHBP).

- If your district participates in SEHBP, your percentage contribution will be calculated based on the sum of your medical and prescription coverage. Dental, vision, and other health care benefit premiums are excluded from the calculation. Even if your district participates in SEHBP for the medical portion of your coverage only and covers prescriptions through a private carrier, your contribution will be calculated based on the sum of your medical and prescription coverage.
- If your district does not participate in SEHBP (i.e. your district uses private carriers) your contribution will be calculated based on the sum of your medical, prescription, dental, vision, and any other health care premiums under which you are covered.

Once you know how you receive coverage you will need the following information:

- Your **pensionable salary**
- Your **level of coverage** for each type of coverage you have (single, family, parent/child(ren); or member/partner)
- **Your year in the phase-in for contributions**. (For any district taking deductions in 2011-12, it's Year 1. Contributions increase through Year 4, but if you were hired on or after the effective date of the new law, and your district is taking deductions from members of your bargaining unit in 2011-12, there is no four-year phase in. New employees hired on or after June 28, 2011, will commence contributions at the Year 4 level for the 2011-12 school year. If you are in your first year in a district that will not commence deductions for members of your bargaining unit until 2012-13, you will go through the phase-in period with your colleagues. **The basic rule:** if you are new to a district in the year it begins to make deductions from members of your bargaining unit, you begin at the Year 4 level. If you were employed in the district and receiving paychecks prior to the year that deductions commenced for members of your bargaining unit, you will phase in your contributions with your colleagues.)
- The monthly cost of your **medical insurance** premium
- The monthly cost of your **prescription insurance** premium
- The monthly cost of your **dental insurance premium** (if you work in a non-SEHBP district)
- The monthly cost of your **vision insurance premium** (if you work in a non-SEHBP district)
- The monthly cost of **any other health insurance premiums** under which you may be covered (if you work in a non-SEHBP district)

If you do not know the monthly premium costs of your coverage call the business administrator in your school district.

Payroll deductions in SEHBP districts

Here's the basic rule: if your district participates in the SEHBP for any portion of your coverage, your percentage calculation is based upon your medical premium and your prescription premium. The cost of all other health insurance coverage is excluded from the calculation.

So if your district does not participate in the SEHBP, skip to the next section of this article.

Here is how Mary Smith, the hypothetical teacher described above, would calculate her health insurance deduction. Mary is married and has two children. She has been teaching for 13 years. Her contract had expired on June 30, 2011, and the terms of a new contract commenced on July 1. She is required under Chapter 78 to contribute to her health insurance premiums.

There's one more catch: premium rate increases in the SEHBP are based on the calendar year, not the school year. Mary needs to know the insurance premium from July through December 2011, and the rates from January through June 2012. To check per pay stub, however, Mary needs only to know the monthly rate for the pay period of the paycheck in question.

- Mary's district participates in the **SEHBP**.
- Mary's **base salary** is $63,000.
- Mary has **family** coverage.
- The monthly **medical insurance premium** (for September - December) is $1,249.56**.**
- The monthy **prescription insurance premium** (for September – December) is $338**.**
- Mary has **dental** and **vision** coverage, but those premium costs are irrelevant to her calculation because her district participates in the SEHBP.

Mary consults the premium sharing chart (see facing page). She finds that an employee earning $63,000 who receives family coverage will pay 4.25 percent of her applicable premium costs in Year One. (Note: By Year Four, she will pay at least 17 percent of the premium costs.)

Mary adds the monthly cost of her medical insurance and prescription insurance premiums and finds that the total cost is $1,587.56. She multiplies $1,587.56 by 4.25 percent and finds that her monthly contribution is $67.47.

Mary checks that this figure is not less than 1.5 percent of her salary. Why? Under Chapter 78, she must contribute no less than 1.5 percent of her salary to her health insurance coverage. $94.50 is greater, so she pays $94.50 per month.

Mary is paid twice per month, so she divides $94.50 in half and finds that $47.25 should be deducted from her paycheck.

Payroll deductions in non-SEHBP districts

Here is how John Wilson, the hypothetical custodian described above, would calculate his health insurance deduction. John is married but has no children. He has worked in his school district for 26 years.

Note that in districts that do not participate in the SEHBP, premium rates will vary. The insurance rates listed for John are hypothetical. If you do not know the monthly premium costs of your coverage call the business administrator in your school district.

John's district does not participate in SEHBP.

- John's **base salary** is $39,000.
- John has **member/partner** coverage.
- In John's district, the monthly **medical insurance premium** is $1,070.58**.**
- In John's district, the **prescription insurance premium** is $304.20**.**
- In John's district the total monthly premium cost for John's **dental** and **vision** coverage is $81.49. Because John works in a district that does not participate in the SEHBP, these premium costs are part of his calculation.

John consults the premium sharing chart (see facing page). He finds that an employee earning $39,000 who receives member/partner coverage will pay 1.75 percent of the premium costs in Year One. (Note: By Year Four, he will pay at least 7 percent of the premium costs.)

John adds the monthly cost of all of his health insurance premiums (medical, dental, prescription, and vision) and finds that the total cost is $1,456.27. He multiplies $1,456.27 by 1.75 percent and finds that his monthly contribution is $25.48.

John checks that this figure is not less than 1.5 percent of his salary. Why? Under Chapter 78, he must contribute no less than 1.5 percent of his salary to his health insurance coverage. $48.75 is greater, so he pays $48.75 per month.

John is paid twice per month, so he divides $48.75 in half and finds that $24.38 should be deducted from his paycheck under the terms of Chapter 78.

Other considerations

If you have different levels of coverage for different types of insurance, you must choose separate corresponding percentage deductions for each of those types. For example, if you earn $45,000 a year and have family medical coverage but have single prescription coverage, you would select 2.25 percent to calculate your family medical premium deduction and 3.5 percent to calculate your single prescription premium. See the chart on Page 10.

If you receive "retro pay" following the ratification of a collective bargaining agreement, only that portion of the retroactive pay that reflects salary earned after the district commenced Chapter 78 deductions may be charged for those deductions.

What if I find a mistake?

A variety of factors determine how much additional money will be deducted from your paycheck. The easiest calculation is your increased pension contribution, so let's begin with that.

If, after performing the calculations described here, you believe that the amount deducted from your paycheck is incorrect, contact your school district's business administrator for a documentation of your deductions. If, after comparing your calculations with the district's documentation, you continue to have concerns about the accuracy of your deductions, contact your association representative (i.e. your building rep).

Premium Sharing P.L. 2011 c.78

BASE SALARY		YEAR 1 %	YEAR 2 %	YEAR 3 %	YEAR 4 %
FAMILY COVERAGE					
Under	$25,000	0.75%	1.50%	2.25%	3.00%
$25,000 -	$29,999	1.00%	2.00%	3.00%	4.00%
$30,000 -	$34,999	1.25%	2.50%	3.75%	5.00%
$35,000 -	$39,999	1.50%	3.00%	4.50%	6.00%
$40,000 -	$44,999	1.75%	3.50%	5.25%	7.00%
$45,000 -	$49,999	2.25%	4.50%	6.75%	9.00%
$50,000 -	$54,999	3.00%	6.00%	9.00%	12.00%
$55,000 -	$59,999	3.50%	7.00%	10.50%	14.00%
$60,000 -	$64,999	4.25%	8.50%	12.75%	17.00%
$65,000 -	$69,999	4.75%	9.50%	14.25%	19.00%
$70,000 -	$74,999	5.50%	11.00%	16.50%	22.00%
$75,000 -	$79,999	5.75%	11.50%	17.25%	23.00%
$80,000 -	$84,999	6.00%	12.00%	18.00%	24.00%
$85,000 -	$89,999	6.50%	13.00%	19.50%	26.00%
$90,000 -	$94,999	7.00%	14.00%	21.00%	28.00%
$95,000 -	$99,999	7.25%	14.50%	21.75%	29.00%
$100,000 -	$104,999	8.00%	16.00%	24.00%	32.00%
$105,000 -	$109,999	8.00%	16.00%	24.00%	32.00%
$110,000 -	Over	8.75%	17.50%	26.25%	35.00%
MEMBER/PARTNER & PARENT/CHILD(REN) COVERAGE					
Under	$25,000	0.88%	1.75%	2.63%	3.50%
$25,000 -	$29,999	1.13%	2.25%	3.38%	4.50%
$30,000 -	$34,999	1.50%	3.00%	4.50%	6.00%
$35,000 -	$39,999	1.75%	3.50%	5.25%	7.00%
$40,000 -	$44,999	2.00%	4.00%	6.00%	8.00%
$45,000 -	$49,999	2.50%	5.00%	7.50%	10.00%
$50,000 -	$54,999	3.75%	7.50%	11.25%	15.00%
$55,000 -	$59,999	4.25%	8.50%	12.75%	17.00%
$60,000 -	$64,999	5.25%	10.50%	15.75%	21.00%
$65,000 -	$69,999	5.75%	11.50%	17.25%	23.00%
$70,000 -	$74,999	6.50%	13.00%	19.50%	26.00%
$75,000 -	$79,999	6.75%	13.50%	20.25%	27.00%
$80,000 -	$84,999	7.00%	14.00%	21.00%	28.00%
$85,000 -	$89,999	7.50%	15.00%	22.50%	30.00%
$90,000 -	$94,999	7.50%	15.00%	22.50%	30.00%
$95,000 -	$99,999	7.50%	15.00%	22.50%	30.00%
$100,000 -	Over	8.75%	17.50%	26.25%	35.00%
SINGLE COVERAGE					
Under	$20,000	1.13%	2.25%	3.38%	4.50%
$20,000 -	$24,999	1.38%	2.75%	4.13%	5.50%
$25,000 -	$29,999	1.88%	3.75%	5.63%	7.50%
$30,000 -	$34,999	2.50%	5.00%	7.50%	10.00%
$35,000 -	$39,999	2.75%	5.50%	8.25%	11.00%
$40,000 -	$44,999	3.00%	6.00%	9.00%	12.00%
$45,000 -	$49,999	3.50%	7.00%	10.50%	14.00%
$50,000 -	$54,999	5.00%	10.00%	15.00%	20.00%
$55,000 -	$59,999	5.75%	11.50%	17.25%	23.00%
$60,000 -	$64,999	6.75%	13.50%	20.25%	27.00%
$65,000 -	$69,999	7.25%	14.50%	21.75%	29.00%
$70,000 -	$74,999	8.00%	16.00%	24.00%	32.00%
$75,000 -	$79,999	8.25%	16.50%	24.75%	33.00%
$80,000 -	$84,999	8.50%	17.00%	25.50%	34.00%
$85,000 -	$89,999	8.50%	17.00%	25.50%	34.00%
$90,000 -	$94,999	8.50%	17.00%	25.50%	34.00%
$95,000 -	Over	8.75%	17.50%	26.25%	35.00%

Payment of percentage of premium will go into effect upon expiration of collective bargaining agreement, or June 28, 2011, if no current collective bargaining agreement is in effect. New employees, after premium sharing above commences, will have no phase-in period. Payment cannot be less than 1.5% of base.