

March 26,2010

NJDOE Clarifies 1.5% Withholding of Salary for Health Benefits

The New Jersey Department of Education has released a memo clarifying the new requirement related to the 1.5% withholding for health benefits. The requirement is included in P.L. 2010, c. 2 (Senate Bill 53 2010). The NJDOE's memo provides guidance on expired contracts, extended contracts, and the impact on contracts for future years.

Withholdings 1.5% of Salary

The 1.5% withholding means that 1.5% of salary will be withheld, NOT 1.5% of the cost of health benefits. For an administrator earning \$100,000 this would be a \$1,500 withholding over the course of a year.

Expired Contracts

For those employees working under an expired contract the 1.5 withholding will begin as of May 22, 2010.

Extended Contracts

A school district and bargaining unit always have the option of negotiating an extension onto a current collective bargaining agreement. Note that no contract may cover more than three years. This may include the last year of an existing contract and up to two additional years on an extension. The NJDOE memo makes clear that the 1.5% withholding will not apply during the term of any extended contract that was agreed to prior to May 22, 2010. It would apply to any extension agreed to on or after May 22, 2010.

Contracts for Future Years

If a school district and bargaining unit have already agreed to a new contract or reach agreement prior to May 22,2010, the NJDOE memo makes clear that the 1.5% withholding will not apply until the end of the new contract. However, contracts that are agreed to on or after May 22, 2010 will require the employees in that unit to be subject to the 1.5% withholding.

Impact On Retirees

The law provides that employees who begin participation in TPAF on or after the effective date of the law, upon retiring, must contribute 1.5% of their pension to cover the cost of their health plan. Therefore those currently enrolled in TPAF would not pay the 1.5% of pension when they retire. This means that a currently working active employee would under the appropriate conditions outlined above, would start having the 1.5% withheld as a current employee. However, at retirement this same employee would not have the 1.5% withheld from their pension check.