

# **FACTS AND SOURCES ON NEW JERSEY TEACHERS’ PENSIONS**

## **NJEA pension chart.**

Below is a pension chart created by the NJEA for the “Tier 1 for Everyone” campaign.

*Source: Marybeth Beichert, Sarah Favringer, and Michael Flynn "The fight for retirement dignity," NJEA Review, October 2025, p.22.*

<b>BENEFIT</b>	<b>TIER 1</b> <i>Hired prior to July 1, 2007</i>	<b>TIER 2</b> <i>Hired prior to Nov. 2, 2008</i>	<b>TIER 3</b> <i>Hired prior to May 21, 2010</i>	<b>TIER 4</b> <i>Hired prior to June 28, 2011</i>	<b>TIER 5</b> <i>Hired after June 28, 2011</i>
<b>Enrollment</b>	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
<b>Normal Retirement Age</b>	60 Years Old	60 Years Old	62 Years Old	62 Years Old	65 Years Old
<b>Final Average Salary</b>	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
<b>Formula</b>	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
<b>Early retirement Penalty</b>	<ul style="list-style-type: none"> <li>• Must have 25 years of service</li> <li>• 3% per year under age 55, no penalty between 55-60</li> </ul>	<ul style="list-style-type: none"> <li>• Must have 25 years of service</li> <li>• 3% per year under age 55, 1% per year between 55-60</li> </ul>	<ul style="list-style-type: none"> <li>• Must have 25 years of service</li> <li>• 3% per year under age 55, 1% per year between 55-62</li> </ul>	<ul style="list-style-type: none"> <li>• Must have 25 years of service</li> <li>• 3% per year under age 55, 1% per year between 55-62</li> </ul>	<ul style="list-style-type: none"> <li>• Must have 30 years of service</li> <li>• 3% per year under age 65</li> </ul>

## **Who has a Tier 5 pension?**

Over half of teachers — those who were hired after June 28, 2011 — have inferior, Tier 5 pensions.

*Source: NJEA pension chart above.*

## **Tier 5 pensions are the worst in the nation.**

Tier 5 pensions are rated the worst (least generous) in the nation.

*Source: Mark Weber, “New Jersey Pensions Are the Least Generous in the U.S. for New Teachers,” New Jersey Policy Perspective, March 26, 2025.*

## **Tier 5 pensions get a “F” grade.**

New Jersey’s leading progressive think-tank, New Jersey Policy Perspective, gave Tier 5 pensions a “F” grade, one of only three states with a “F.”

*Source: Mark Weber, "New Jersey Pensions Are the Least Generous in the U.S. for New Teachers," New Jersey Policy Perspective, March 26, 2025.*

## **A Tier 5 teacher must work until 65 for a full pension.**

In a Tier 5 pension, the normal retirement age — when a teacher gains a full pension — is 65. Fewer than 20% of teachers work until 65.

*Sources: NJEA pension chart above and Chad Aldeman and Kelly Robson, "Why Most Teachers Get a Bad Deal on Pensions," Education Next, May 16, 2017.*

## **If a teacher retires before 65, she is penalized.**

If a Tier 5 teacher retires early — that is, after 30 years of service but before age 65 — her pension is reduced by 3% a year.

*Source: NJEA pension chart above.*

## **A teacher must work for 10 years before she even qualifies for a pension.**

A teacher must work for 10 years before she “vests” in her pension. Almost half of teachers (45%) never make it to 10 years of service and never qualify for a pension.

*Source: New Jersey Division of Pension and Benefits, Teachers' Pension and Annuity Fund, Actuarial Valuation Report as of July 1, 2025, February 2026, p. 59.*

## **If a teacher leaves the profession or the state before 10 years of service, she will lose her pension.**

If a teacher leaves either the state or the teaching profession before vesting, she will not get a pension. She will only get her contributions back (and 2% interest if she works more than 3 years). Any contribution by the state and all investment gains are forfeited. At best, this means the teacher is making a 2% loan to the pension system.

*Source: New Jersey Division of Pension and Benefits, Teachers' Pension and Annuity Fund, Actuarial Valuation Report as of July 1, 2025, February 2026, p. 73.*

## **It will take a teacher 30 years of contributions before she will break even on her pension.**

Because of the design of the pension system, a teacher will have to make contributions for 30 years before the value of her pension exceeds the value of her contributions.

More than half (56%) of all teachers will not stay in the system that long and will therefore not break even.

*Source: Chad Aldeman and Richard W. Johnson, "Negative Returns: How State Pensions Shortchange Teachers," Urban Institute and Bellwether Education Partners, September 2015.*

## **No teachers' pensions are protected against inflation.**

In 2011, cost-of-living-adjustments (COLAs), which protect against the erosion of fixed retirement payments by inflation, were suspended for ALL teachers' pensions. COLAs cannot be reinstated until the pension system is fully funded, which is projected to be in 20-30 years. 2% inflation compounded for 20-30 years amounts to a cumulative 49% -81%, severely eroding the value of fixed pension payments in the future.

*Source: New Jersey Division of Pension and Benefits, Teachers' Pension and Annuity Fund, Actuarial Valuation Report as of July 1, 2025, February 2026, p. 20-25.*

## **NJEA Execs have gold-plated pensions that are protected against inflation.**

NJEA execs' gold-plated pensions are far superior to Tier 5 pensions in almost every respect. ALL teachers' pensions are not protected from inflation, but NJEA execs' pensions have a 2.5% annual COLA.

*Source: Sunlight Policy Center's report "Ugly Truths and Hard Facts About New Jersey's Pension Crisis, Part II," p. 6-8.*

## **Teachers pensions are only 60%-funded while NJEA execs' pensions are overfunded.**

Despite the \$47 billion that Gov. Murphy put into pensions and the allocation of state lottery proceeds, the teachers' pension system is still only 60%-funded (60 cents set aside for each dollar owed), and only 48%-funded without the lottery. Meanwhile, NJEA execs' pensions are over 100%-funded.

*Sources: New Jersey Division of Pension and Benefits, Teachers' Pension and Annuity Fund, Actuarial Valuation Report as of July 1, 2025, February 2026; and Sunlight Policy Center's report "Ugly Truths and Hard Facts About New Jersey's Pension Crisis, Part II."*