

# **SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

***Regular  
and  
Tax-Sheltered***

*Prepared and Distributed By*

New Jersey Division of Pensions and Benefits  
PO Box 295  
Trenton, New Jersey 08625-0295

October 1999



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## ABOUT THIS BOOKLET

This booklet summarizes the benefits provided under the Supplemental Annuity Collective Trust of New Jersey. The Supplemental Annuity Collective Trust (the Trust) is comprised of two separate plans — the Regular Plan (SACT Regular) and the Tax-sheltered Plan (SACT Tax-sheltered). *This booklet presents the information regarding these two plans separately.*

Any rules or questions of interpretation are subject to the governing statutes (Sections 107-124 of Chapter 18A in Title 52 of the New Jersey Statutes Annotated). The statutes and rules can be found in any law library and are supplemented by the *Pensions and Benefits Administration Manual*.

All benefits and provisions of the Trust are subject to change by legislative amendment, advice of the courts and decisions of other officials.

As a member of a state-administered retirement system, you should be aware of the enhanced retirement benefits offered to participants of the Trust. Further information may be obtained from your human resources office and the Division of Pensions and Benefits.

*This booklet is prepared and distributed by the:*

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS  
PO Box 295  
TRENTON, NEW JERSEY 08625-0295  
Telephone (609) 633-2031

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## COUNSELING SERVICES

Should you have questions concerning participation in or administration of the Supplemental Annuity Collective Trust of New Jersey, you may either telephone our office at (609) 633-2031 or write to:

PLAN MANAGER  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST  
DIVISION OF PENSIONS AND BENEFITS  
PO Box 295  
TRENTON, NJ 08625-0295

Please be sure to include the following information in your letter so we may respond promptly:

- your name,
- your present address,
- your daytime telephone number,
- your pension or Social Security number,
- your maiden name (if married) or your former name (if divorced), and
- the name of the agency where you are employed.

Individual counseling is available to participants of the Supplemental Annuity Collective Trust through the Division of Pensions and Benefits, Office of Client Services, located at:

ONE STATE STREET SQUARE  
50 WEST STATE STREET, THIRD FLOOR  
TRENTON, NEW JERSEY  
*Hours — 9:00 A.M. to 4:00 P.M., Weekdays (except holidays)*  
*(no appointments)*

Automated account information is available by calling (609) 777-1777 from a touch tone phone.

Also visit our website at: [www.state.nj.us/treasury/pensions/fact35.htm](http://www.state.nj.us/treasury/pensions/fact35.htm) for more information including investment performance and downloadable forms.

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## ORGANIZATION

Chapter 123 of the Laws of 1963 established the Supplemental Annuity Collective Trust of New Jersey. Chapter 90 of the Laws of 1965 altered the program to provide the Tax-sheltered plan for eligible public school employees. The purposes of both of these laws were to allow members of the various state-administered retirement systems to enhance their retirement benefits.

The Trust is administered by the Division of Pensions and Benefits in the Department of the Treasury of the state government. A Council — consisting of the State Treasurer, the Commissioner of the Department of Banking and Insurance and the Director of the Office of Management and Budget — is responsible for the control and management of the Trust. The Attorney General is the Trust's legal advisor. An independent actuary periodically reviews the Trust's operations. All costs of administration are borne by the State administered retirement systems. The records of the Trust are audited by the State Auditor or an independent accounting firm for the State Auditor. The Director of the Division of Pensions and Benefits serves as the secretary of the Trust's Council.

The Division of Investment in the Department of the Treasury is responsible for the Trust's investments. Participant's contributions are primarily invested in equity securities approved for investment by the regulations of the State Investment Council. Funds needed for routine operations are held in short-term, interest bearing obligations in the State's Cash Management Fund. Income from these investments, including gains and losses on sales of stock and increases and decreases in investment market value, are distributed to all participants and annuitants at least once every calendar quarter. The State Treasurer is the designated custodian of the funds of the Trust. The various funds maintained by the system are subject to examination by the Commissioner of the Department of Banking and Insurance. The Trust issues an annual report showing the financial condition of the Trust, and other statistics. A statement of each participant's account is furnished annually. Separate statements are issued to those who participate in both the SACT Regular and Tax-sheltered Plans.

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## INTRODUCTION

**WHAT IS A VARIABLE ANNUITY?** An annuity is a contract by which an investment provider agrees to make regular payments to someone for life or for a fixed period. The regular payment of a benefit over someone's life protects the individual against the financial risk of out-living one's savings.

A variable annuity is an annuity, the value of which fluctuates based on the market performance of the underlying securities portfolio. Unlike fixed annuities, there is no guarantee of principal or rate of return.

The Supplemental Annuity Collective Trust provides a variable annuity as opposed to the fixed annuity benefits of the State administered retirement systems. The fixed annuity benefits of these systems provide a guaranteed amount regardless of economic conditions and the performance of underlying investments. However, over time, inflation will erode at least a portion of the purchasing power of these fixed benefits. By supplementing your retirement system benefits with a variable annuity from the Trust, you have the potential to increase the amount of your retirement income through the appreciation of the underlying investments of the Trust.

**THERE ARE TWO PHASES IN THE VARIABLE ANNUITY PROGRAM—**the pay-in phase and the pay-out phase.

- The **PAY-IN PHASE** covers your working years. Through payroll deductions, you regularly and systematically invest in the Trust by purchasing units at both high and low prices; that is, you 'dollar-average' your investment. Dollar-averaging is an effective investment strategy. It lessens the uncertainty of periodic investments in equities.
- The **PAY-OUT PHASE** covers your retirement years. It provides the option of a lump-sum settlement or one of five lifetime annuity payment options.

Participants must realize, however, that there are risks in the purchase of a variable annuity. Although the Trust's performance has been financially successful, there is no guarantee that a variable annuity will provide more retirement dollars than a fixed annuity, even in a period of rising prices. After retirement, there may be months and years in which the benefits from the variable annuity will provide less income than it would in some previous months, even though the benefit is greater than that derived from a fixed annuity. A participant must anticipate not only increases in monthly dollar benefits but possible decreases as well.



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Prior to January 1, 1987, SACT offered a Qualified Voluntary Employee Contributions (QVEC) program. These programs were analogous to deductible IRA contributions. The Tax Reform Act of 1986 repealed the portion of the tax code relating to these programs and prohibited future contributions to such programs after December 31, 1986. Although contributions to QVEC accounts are no longer accepted, existing QVEC accounts will continue to participate in gains and losses until your retirement, withdrawal or death. Distribution options are similar to those available to members with SACT Tax-Sheltered accounts that are described later. Any questions about QVEC should be directed to the Division of Pensions and Benefits, SACT Section. Be sure to notify us if you retire or withdraw from the basic retirement system.





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# SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

## REGULAR

### OVERVIEW

The Supplemental Annuity Collective Trust — Regular Plan (SACT Regular) is an investment vehicle that allows you to contribute after-tax dollars through an employee contribution annuity program in order to supplement your guaranteed retirement benefits. Although you pay federal tax on the contributions to this plan, the tax due on your account's accumulated earnings is deferred until distribution is made.

### COORDINATION WITH OTHER PLANS

State employees participating in the New Jersey State Employees Deferred Compensation Plan are eligible to participate in SACT Regular. By participating in both, you can further diversify your investments and capitalize on the advantages of dollar compounding of two separate vehicles.

If you participate in SACT Regular and Tax-sheltered, your combined contributions cannot exceed 10 percent of your base salary.

If you are a participant in SACT Regular, you may be eligible to have an Individual Retirement Account (IRA). Please check with a tax advisor to determine if you are eligible for and IRA.

### ELIGIBILITY

If you are an actively contributing member of one of the following state-administered retirement systems, you are eligible to participate in SACT Regular.

- Judicial Retirement System (JRS)
- Teachers' Pension and Annuity Fund (TPAF)
- Public Employees' Retirement System (PERS)
- Police and Firemen's Retirement System (PFRS)
- State Police Retirement System (SPRS)

These systems will be referred to as the 'basic retirement system' throughout this guide.

### ENROLLMENT

If you wish to participate in this plan, you must complete a *Trust Enrollment Application*. Your employer certifies the application and sends it to the Division of Pensions and Benefits. Enrollment applications are processed quarterly and must be received by the Division of Pensions and Benefits, SACT



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Section, 30 days before the beginning of any calendar quarter. Once your enrollment has been processed, you and your employer will receive a certification of payroll deductions. Your enrollment will become effective on the next scheduled calendar quarter.

Each enrolling participant is also asked to nominate primary and contingent beneficiaries.

### **CONTRIBUTIONS**

You may contribute between 1 and 10 percent of your base salary in whole percentages. Contributions are made through payroll deductions.

Actively contributing members may make lump-sum contributions to SACT Regular in the third month of any calendar quarter. Lump-sum contributions must be \$50 or more. Total contributions to SACT Regular (payroll deductions plus any lump-sum contributions) cannot exceed 10 percent of your base salary in any calendar year.

### **CHANGE OR SUSPENSION OF CONTRIBUTIONS**

You may change or suspend your percentage rate of contribution at the beginning of any calendar quarter. All changes (increase or decrease) in your percentage rate of contribution must be made on a *Trust Change of Contribution Rate Request* form.

You complete the form and have it certified by your authorized personnel representative. The form must be received by the Division of Pensions and Benefits, SACT Section, 30 days before the beginning of the calendar quarter. Once your change has been processed, you and your employer will receive a certification of payroll deductions. Your request will become effective at the start of the next calendar quarter.

### **CHANGE OF BENEFICIARY**

You name primary and contingent beneficiaries when you enroll. Any subsequent change of beneficiary must be made on a *Trust Designation of Beneficiary* form and filed with the Division of Pensions and Benefits, SACT Section. Remember, the Trust forms are completely different from forms filed with the basic retirement system.

**CHANGING YOUR BENEFICIARY WITH THE BASIC RETIREMENT SYSTEM WILL NOT AUTOMATICALLY CHANGE THE BENEFICIARY FOR YOUR TRUST ACCOUNT.**

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## INTER-INTRAFUND TRANSFERS

If you qualify for a transfer under the basic retirement system, you may transfer your Trust account.

An interfund transfer under the basic retirement system means that you leave employment covered under one system to take a position covered under a different retirement system. For example, you leave employment with the State of New Jersey (covered under PERS) and take an educational position in a local school district (covered under TPAF). If you qualify for enrollment in the educational position, you can transfer your PERS account to TPAF. At that time, you also transfer your SACT Regular account by filing a *Report of Interfund Transfer*.

An intrafund transfer under the basic retirement system means that you leave employment covered under one system to take a position covered under the same retirement system. For example, you leave employment with the State of New Jersey (covered under PERS) and take a position in a municipality (also covered under PERS). You can transfer your account to your new employer. At that time, you also transfer your SACT Regular account by filing a Report of Transfer.

## TERMINATION OF EMPLOYMENT

If you terminate employment and withdraw your contributions from the basic retirement system, you must also withdraw your Trust account as a lump-sum settlement.

To withdraw from the Trust, you must file a *Trust Application for Withdrawal* with the Division of Pensions and Benefits, SACT Section. The withdrawal value of your account is determined as of the close of the month in which you cease to be a member of the basic retirement system; the month your withdrawal check from the basic system is dated.

**FILING A WITHDRAWAL APPLICATION WITH THE BASIC RETIREMENT SYSTEM WILL NOT AUTOMATICALLY WITHDRAW YOUR TRUST ACCOUNT. THERE IS A DIFFERENT AND SEPARATE FORM FOR THE TRUST.**

## DEATH BENEFITS

Inform your beneficiary or family that they must notify the Division of Pensions and Benefits, SACT Section immediately of your death.

If you die before you retire, your named beneficiary(ies) will receive a lump-sum payment equal to the value of your account at the time of your death. If



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your beneficiary is a person (as opposed to an institution or charity), he or she may elect to receive a variable annuity under one of the distribution options of the plan (see below).

If your named beneficiary does not apply for benefits within 90 days of notifying the Division of Pensions and Benefits of your death, your account is placed in suspense.

## RETIREMENT

### OVERVIEW

You must take distribution of your account at the same time you retire from the basic retirement system. It is your responsibility to notify the Division of Pensions and Benefits, SACT Section of your retirement at least 30 days in advance of your effective date of retirement. It is important that you notify the Trust without delay because your account ceases to participate in the plan's earnings and losses and does not earn interest after retirement. Should you fail to file the appropriate distribution forms within the prescribed time, your account will be processed for payment under a Monthly Variable Life Annuity (no beneficiary). This is irrevocable under Chapter 8 of the New Jersey Administrative Code.

Upon retirement, the Division of Pensions and Benefits, SACT Section will provide a quotation of your Trust account value detailing your distribution options.

**FILING A RETIREMENT APPLICATION WITH THE BASIC RETIREMENT SYSTEM IS NOT SUFFICIENT NOTIFICATION OF YOUR RETIREMENT FROM THE TRUST. THERE IS A DIFFERENT AND SEPARATE FORM FOR THE TRUST.**

**THE RETIREMENT BENEFIT YOU RECEIVE FROM THE TRUST IS SEPARATE FROM THE RETIREMENT ALLOWANCE YOU RECEIVE FROM THE BASIC RETIREMENT SYSTEM.**

### DISTRIBUTION OPTIONS

Upon retirement, we will provide a quotation of your account value. This will detail your distribution options. The options are:

1. **A MONTHLY VARIABLE ANNUITY BENEFIT** for the remainder of your life will be paid unless, prior to retirement, you filed a *Trust Application for Settlement at Retirement* selecting one of the alternative methods of payment that follows. (There are no provisions for a beneficiary under this option.)

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2. **A LUMP-SUM SETTLEMENT OPTION** for the value of your account at the close of the month of your retirement. Any investment gains on your SACT Regular account are eligible for tax-free rollover to an IRA.
  3. **A 5-YEAR CERTAIN AND LIFE THEREAFTER OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, if you die within the first five years of your retirement, your named beneficiary will be paid the monthly annuity benefit until the end of the 5-year period.
  4. **A 10-YEAR CERTAIN AND LIFE THEREAFTER OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, if you die within the first 10 years of your retirement, your named beneficiary will be paid the monthly annuity benefit until the end of the 10-year period.
  5. **BENEFICIARY TO RECEIVE AN EQUAL BENEFIT OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, upon your death, your named beneficiary will receive the same monthly annuity for his or her lifetime. Under this option, you may not change your beneficiary after retirement.
  6. **BENEFICIARY TO RECEIVE ONE-HALF BENEFIT OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, upon your death, your named beneficiary will receive one-half of your monthly annuity for his or her lifetime. Under this option, you may not change your beneficiary after retirement.

## ACCOUNT VALUATIONS

The Trust is a variable annuity plan that is comprised of common stocks, cash management units and equity investments. The value of your Trust account will vary according to market value, the income and mortality experience of the plan. Your quotation of retirement benefits will be calculated based on the unit value of the underlying securities in the plan portfolio on the last day of the month in which you retire. This is the date that your account ceases to participate in the earnings and/or losses of the plan.

Your quotation letter will reflect the estimated value of your account and the amounts you may receive as a monthly life annuity under the available options.

## DISTRIBUTION DATE

When the Division of Pensions and Benefits, SACT Section has received your Trust retirement or withdrawal application, your retirement or withdrawal application from the basic retirement system and all other required information, your account will be processed for payment. Chapter 42, P.L. 1993 allows retiring members of PERS and the TPAF to use their SACT accumu-

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lations to offset any loan against their pension account that may be outstanding prior to retirement. To do so, you must file an application with the SACT council within a 60-day period ending 30 days prior to retirement. Providing final approval has been given, lump-sum settlements are usually mailed within 30 days of our calculation of month-end unit values. Monthly annuity checks are mailed the first of the month following final approval of your application.

Direct deposit of monthly annuity checks can be arranged by filing the appropriate forms with the Division.

### **INCOME TAX INFORMATION**

Your settlement check stubs detail information necessary for filing your income tax returns. In addition, at the end of the year in which you receive your distribution, the Division of Pensions and Benefits will issue Form 1099R to those who received lump-sum distributions and W2-Ps to those who selected and are receiving monthly annuity checks.

Earnings from lump-sum distributions may be eligible for roll-over to an Individual Retirement Account (IRA). Eligible roll-overs must be completed within 60 days of the date on your distribution check.

### **EARLY RETIREMENT**

If you file for Early Retirement from the basic retirement system, you must also file for early retirement from the Trust. If you elect to receive a lump-sum distribution from the Trust, it is subject to an IRS penalty of 10 percent if you do not rollover the qualified amount to an IRA account.

### **DEFERRED RETIREMENT**

If you file for Deferred Retirement under the basic retirement system, your Trust account must be deferred as well. During the period that your account is deferred, it will continue to participate in the earnings and/or losses of the underlying investment portfolio. Your account valuation date will be the end of the month in which your deferred retirement from the basic retirement system becomes effective.

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# SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

## TAX-SHELTERED

### OVERVIEW

The Supplemental Annuity Collective Trust — Tax-Sheltered Plan (SACT TSA) allows you to take advantage of federal tax laws and defer a portion of your income from federal taxes to purchase a tax-sheltered annuity. Federal taxes are deferred on contributions and earnings until distribution.

Employees performing services for qualified New Jersey educational institutions enter into agreements whereby the employer purchases annuities from the Trust on their behalf. Tax-sheltered or tax-deferment treatment on these annuities is permitted under Section 403(b) of the Internal Revenue Code, as amended.

### COORDINATION WITH OTHER PLANS

If you participate in Regular or TSA SACT, your combined contributions cannot exceed 10 percent of your base salary.

If you are a participant in SACT TSA, you may be eligible to have an Individual Retirement Account (IRA). Please check with a tax advisor to determine if you are eligible for an IRA.

### ELIGIBILITY

Only members of the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) that are employed by public educational institutions are eligible to participate. Elected officials are ineligible.

### ENROLLMENT

If you wish to participate in this plan, you must complete a *Trust Enrollment Request* form and *Salary Reduction Agreement*. Your employer certifies the application and sends it to the Division of Pensions and Benefits, SACT section. Enrollment applications are processed quarterly.

Once your enrollment has been processed, you and your employer will receive confirmation copies – certification of payroll deduction. Your enrollment will become effective at the start of the next calendar quarter.

Each enrolling participant is also asked to nominate primary and contingent beneficiaries.



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## CONTRIBUTIONS

You may contribute between 1 and 10 percent of your includible compensation (base salary reduced by your pension contribution) in whole percentages. The maximum contribution allowable is the lesser of 10 percent of your includible income or the prevailing IRS maximum. The sum of the amounts by which your salary is reduced constitutes the amount that is excluded from your income for federal income tax purposes.

## CHANGE OR SUSPENSION OF CONTRIBUTIONS

Changes in the rate of salary reduction or suspension of contributions may be made by entering into a new salary reduction agreement with your employer. In order to effect a change, you must file a *Change of Contribution Rate Request* and a new *Salary Reduction Agreement* at least 30 days before the start of the calendar quarter.

You complete all forms and have them certified by your authorized personnel representative. The form must be received by the Division of Pensions and Benefits, SACT Section, 30 days before the beginning of the calendar quarter. Once your change has been processed, you and your employer receive a certification of payroll deductions. Your change request will become effective at the start of the next calendar quarter.

## CHANGE OF BENEFICIARY

You name primary and contingent beneficiaries when you enroll. Any subsequent change of beneficiary must be made on a *Trust Designation of Beneficiary* form and filed with the Division of Pensions and Benefits, SACT Section. Remember, the Trust forms are completely different from forms filed with the basic retirement system.

## CHANGING YOUR BENEFICIARY WITH THE BASIC RETIREMENT SYSTEM WILL NOT AUTOMATICALLY CHANGE THE BENEFICIARY FOR YOUR TRUST ACCOUNT.

## INTER-INTRAFUND TRANSFERS

If you qualify for a transfer under the basic retirement system, you may transfer your Trust account.

An interfund transfer under the basic retirement system means that you leave employment covered under one system to take a position covered under a different retirement system. For example, you leave employment as a teacher in a local school district (covered under TPAF) to take a position with a State agency (covered under PERS). If you are qualified for PERS enrollment, your new employer will complete the paperwork to transfer your TPAF account into your new PERS account.



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In order to transfer your SACT Tax-sheltered account, your new State employer must be an eligible **educational** institution or agency. In that case, your account will be transferred by filing a new *Salary-Reduction Agreement* and a *Report of Interfund Transfer* form.

An intrafund transfer under the basic retirement system means that you leave employment covered under one system to take a position covered under the same retirement system. For example, you leave employment as a teacher with one school district (covered under TPAF) to take an educational position in another district (also covered under TPAF). You can transfer your account to your new employer. At that time, you also transfer your SACT TSA account by filing a *Report of Transfer*.

### **TERMINATION OF EMPLOYMENT**

If you terminate employment and withdraw your contributions from the basic retirement system, you must also withdraw your SACT TSA account as a lump-sum settlement.

To withdraw from SACT TSA, you must file a *Trust Application for Withdrawal* with the Division of Pensions and Benefits, SACT Section. The withdrawal value of your account is determined as of the close of the month in which you cease to be a member of the basic retirement system; the month your withdrawal check from the basis system is dated.

**FILING A WITHDRAWAL APPLICATION WITH THE BASIC RETIREMENT SYSTEM WILL NOT AUTOMATICALLY WITHDRAW YOUR SACT TSA ACCOUNT. THERE IS A DIFFERENT AND SEPARATE FORM FOR SACT TSA.**

### **DEATH BENEFITS**

Inform your beneficiary or family that they must notify the Division of Pensions and Benefits, SACT Section immediately of your death.

If you die before you retire, your named beneficiary(ies) will receive a lump-sum payment equal to the value of your account at the time of your death. If your beneficiary is a person (as opposed to an institution or charity), he or she may elect to receive a variable annuity under one of the distribution options of the plan (see page 13).

If your named beneficiary does not apply for benefits within 90 days of notifying the Division of Pensions and Benefits of your death, your account is placed in suspense.



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## RETIREMENT

### OVERVIEW

You must take distribution of your account at the same time you retire from the basic retirement system. It is your responsibility to notify the Division of Pensions and Benefits, SACT Section, of your retirement at least 30 days in advance of your effective date of retirement. It is important that you notify the Trust without delay because your account ceases to participate in the plan's earnings and losses and does not earn interest after retirement. Should you fail to file the appropriate distribution forms within the prescribed time, your account will be processed for payment under a Monthly Variable Life Annuity (no beneficiary). This is irrevocable under Chapter 8 of the New Jersey Administrative Code.

Upon retirement, the Division of Pensions and Benefits, SACT Section will provide a quotation of your Trust account value detailing your distribution options.

**FILING A RETIREMENT APPLICATION WITH THE BASIC RETIREMENT SYSTEM IS NOT SUFFICIENT NOTIFICATION OF YOUR RETIREMENT FROM THE TRUST. THERE IS A DIFFERENT AND SEPARATE FORM FOR THE TRUST.**

**THE RETIREMENT BENEFIT YOU RECEIVE FROM THE TRUST IS SEPARATE FROM THE RETIREMENT ALLOWANCE YOU RECEIVE FROM THE BASIC RETIREMENT SYSTEM.**

### DISTRIBUTION OPTIONS

Upon retirement, we will provide a quotation of your account value. This will detail your distribution options. The options are:

1. **A MONTHLY VARIABLE ANNUITY BENEFIT** for the remainder of your life will be paid unless, prior to retirement, you filed a *Trust Application for Settlement at Retirement* selecting one of the alternative methods of payment as listed below. (There are no provisions for a beneficiary under this option.)
2. **A LUMP-SUM SETTLEMENT OPTION** for the value of your account at the close of the month of your retirement. Both salary reductions and investment gains on your SACT TSA account are eligible for tax-free rollover to an IRA.
3. **A 5-YEAR CERTAIN AND LIFE THEREAFTER OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, if you die within the first five years of your retirement, your named beneficiary will be paid the monthly annuity benefit until the end of the 5-year period.

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4. **A 10-YEAR CERTAIN AND LIFE THEREAFTER OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, if you die within the first 10 years of your retirement, your named beneficiary will be paid the monthly annuity benefit until the end of the 10-year period.
  5. **BENEFICIARY TO RECEIVE AN EQUAL BENEFIT OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, upon your death, your named beneficiary will receive the same monthly annuity for his or her lifetime. Under this option, you may not change your beneficiary after retirement.
  6. **BENEFICIARY TO RECEIVE ONE-HALF BENEFIT OPTION** provides you with a lesser monthly annuity benefit than Option 1. Your annuity is paid for as long as you live. However, upon your death, your named beneficiary will receive one-half of your monthly annuity for his or her lifetime. Under this option, you may not change your beneficiary after retirement.



## ACCOUNT VALUATIONS

SACT TSA is a variable annuity plan that is comprised of common stocks, cash management units and equity investments. The value of your SACT TSA account will vary according to market value, the income and mortality experience of the plan. Your quotation of retirement benefits will be calculated based on the unit value of the underlying securities in the plan portfolio on the last day of the month in which you retire. This is the date that your account ceases to participate in the earnings and/or losses of the plan.

Your quotation letter will reflect the estimated value of your account and the amounts you may receive as a monthly life annuity under the available options.

## DISTRIBUTION DATE

When the Division of Pensions and Benefits, SACT Section, has received your Trust retirement or withdrawal application, your retirement or withdrawal application from the basic retirement system and all other required information, your account will be processed for payment. Chapter 42, P.L. 1993 allows retiring members of PERS and the TPAF to use their SACT accumulations to offset any loan against their pension account that may be outstanding prior to retirement. To do so, you must file an application with the SACT council within a 60 day period ending 30 days prior to retirement. Providing final approval has been given, lump-sum settlements are usually mailed within 30 days of our calculation of month-end unit values. Monthly annuity checks are mailed the first of the month following final approval of your application.



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Direct deposit of monthly annuity checks can be arranged by filing the appropriate forms with the Division.

### **INCOME TAX INFORMATION**

Your settlement check stubs detail information necessary for filing your income tax returns. In addition, at the end of the year in which you receive your distribution, the Division of Pensions and Benefits will issue Form 1099R to those who received lump-sum distributions and W2-Ps to those who selected and are receiving monthly annuity checks.

Both contributions and earnings from lump-sum distributions are eligible for rollover to an Individual Retirement Account (IRA). Eligible rollovers must be completed within 60 days of the date on your distribution check.

### **EARLY RETIREMENT**

If you file for Early Retirement from the basic retirement system, you must also file for early retirement from the Trust. If you elect to receive a lump-sum distribution from the Trust, it is subject to an IRS penalty of 10 percent if you do not rollover the qualified amount to an IRA or other qualified retirement plan.

### **DEFERRED RETIREMENT**

If you file for Deferred Retirement under the basic retirement system, your Trust account must be deferred as well. During the period that your account is deferred, it will continue to participate in the earnings and/or losses of the underlying investment portfolio. Your account valuation date will be the end of the month in which your deferred retirement from the basic retirement system becomes effective.

### **SPECIAL TRANSFER OPTION**

Chapter 77, P.L. 1996, made it possible for employees of the Department of Education, the Commission on Higher Education, or the governing body of any public institution of higher education to transfer funds between tax-sheltered annuity, 403(b), accounts with the various authorized investment providers under the Additional Contributions Tax-Sheltered (ACTS) Program and the SACT TSA. Eligible employees may authorize transfers of all or part of their Trust accounts to be transferred to a similar account with any authorized investment provider. Likewise, all or any portion of a tax-sheltered annuity account with any authorized investment provider may be transferred to an account with SACT TSA.



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If you are employed by one of the organizations mentioned above and are interested in transferring funds from your SACT TSA to an ACTS account, you should contact an ACTS investment provider to establish an account and obtain the necessary transfer form. If you are interested in transferring funds from your ACTS account to a SACT TSA, you should contact the SACT office.

## **SUMMARY**

The SACT Program is not a remedy for all the problems of the retired public employee—no single retirement program is. Public employees and employers alike must realize that there is a limit to the amount that either can afford to pay for any retirement program.

The guaranteed benefits of the basic retirement system, insurance coverage and social security benefits now provide retired employees in New Jersey with one of the best and most complete retirement and survivorship programs in the nation. However, while the fixed benefits of these systems may provide sufficient income to the retired employee, that same benefit may fall short of providing sufficient income after retirement due to the changing purchasing power of the dollar.

Moreover, the alternative for a tax-deferment means that you would not be paying any current federal income tax on the money accumulated before retirement. You are really able to obtain an annuity for less money or a larger annuity than would otherwise be possible.

Every public employee in New Jersey should carefully review the provisions of the SACT Program and consider the advisability of enrolling in the plan. Direct your questions to your employer first to see which plan you are eligible for and the procedural aspects of enrollment.

Copies of this booklet can be requested. Employers are instructed to give you a copy upon your enrollment in the Trust. If you have not received your own copy or need additional copies, see your employer. If your employer cannot provide a copy, write to the Division of Pensions and Benefits, SACT Section or telephone (609) 633-2031.

Detailed literature describing the exclusion allowance, the worksheet and the salary-reduction agreement for Tax-sheltered SACT under Section 403(b) of the Internal Revenue Code can be obtained from the Division of Pensions and Benefits.



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## **APPEALS**

If you wish to appeal any administrative decision, you may address that appeal to the secretary of the Council at the Division of Pensions and Benefits. If your request is denied by the Council, you will be advised by the Secretary that you have 45 days in which to file for a hearing. If the issue involves matters of fact that are in dispute, the Council will approve such a hearing and the matter will be referred to the Office of Administrative Law. An administrative law judge will schedule a hearing. You would do well to be represented by an attorney since this is a legal process.

If you are still aggrieved or if the issue is one of a dispute over law, then your appeal may be made directly to the Appellate Division of the courts. If the matter is heard by an administrative law judge, recommendations will be made to the Council. If the Council still affirms its original decision and denies your request, you will have the opportunity to appeal to the courts.

(N.J.A.C. 17:1-5.1 TO 5.6; 17:8-1.3)

### **YOUR RIGHTS AS A PARTICIPANT OF THE SUPPLEMENTAL ANNUITY**



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## COLLECTIVE TRUST—REGULAR AND TAX-SHELTERED

As a participant in the Supplemental Annuity Collective Trust, you are entitled to certain rights and protections. You are entitled to:

- examine, without charge, at the office of the Trust, all documents such as your individual membership folder and the documents appropriate to the system including the statutes, regulations, actuarial valuations and annual reports.

*(N.J.A.C. 17:44.1; 17:8-1.2)*

- obtain copies of all such documents upon written request to the system. The Division of Pensions and Benefits is required to make a reasonable charge for such copies.
- receive a copy of the Trust's annual report if such a report is in supply for distribution. If requests exceed supply, a summary of the annual financial report indicating the plan's transactions, fiscal posture and funding position will be made available to you.
- obtain a statement telling you whether you have the right to receive an annuity and, and if so, what your benefits would be if you were to retire under the basic retirement system. If you do not have the right to an annuity, the statement will tell you how many more years you will have to work to get that right. This statement must be requested in writing and will not be provided more than once a year. It will be provided free-of-charge.
- no interference from anyone—employer, supervisor, union or any other person—to prevent you from obtaining the proper benefit. The members of the Council and officers of the Division of Pensions and Benefits are fiduciaries of the plan and have a duty to protect you and all other members and to do so prudently and in your interest and in the interest of your beneficiaries.
- a written explanation of the reason for the complete or partial denial of any benefit. You have the right to have the Council review and reconsider your claim.
- receive responses and material from the system unless there are reasons beyond the control of the Division of Pensions and Benefits. If you have a claim for benefits that is denied or ignored and you have exercised all of your rights for hearing, you may file a suit in a state or federal court. If you feel that you have been discriminated against for asserting your rights, you may likewise bring suit. Obviously, the court will decide whether you should pay legal or court fees. If you are successful in your suit, the court may order the person you sued to pay these costs and fees unless there is a legal impediment barring such payments. If you lose, the court may order you to pay for these costs and fees.

*(N.J.A.C. 17:1-5.1 TO 5.6; 17:8-1.3)*

- contact the Division of Pensions and Benefits if you have any questions about the system. If you do not speak English, advise the Division and arrangements will be made to locate assistance.



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## PLAN INFORMATION

### **Name of Plan**

Supplemental Annuity Collective Trust of New Jersey

### **Administration**

The Supplemental Annuity Collective Trust is a defined contribution plan administered by the New Jersey Division of Pensions and Benefits, State Pension Director, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

### **Provision of Law**

The Supplemental Annuity Collective Trust was established by New Jersey Statutes and can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A, Sections 107-124. Changes in the law can only be made by an act of the State Legislature. Rules governing the operation and administration of the plan may be found in Title 17, Chapter 8 of the New Jersey Administrative Code.

### **Funding**

Contributions are made by participating public employees at their option. The state pays the administrative expense. All contributions not required for current operation are reported for investment to the State Division of Investment.

### **Plan Year**

For record-keeping purposes, the plan year is July 1 through June 30.

(N.J.S.A. 52:18A-108)

### **Service of Legal Process**

Legal process may be served on the State Pension and Benefits Director who is the administrator of the plan.

### **Employment Rights Not Implied**

Participation in the Supplemental Annuity Collective Trust does not give you the right to be retained in the employ of a participating employer nor does it give you the right of claims to any benefit you have not accrued under terms of the plan.



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## NOTES



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## NOTES





