

# Supplemental Annuity Collective Trust Fund of New Jersey (SACT)

All Funds

## WHAT IS THE SUPPLEMENTAL ANNUITY COLLECTIVE TRUST?

The Supplemental Annuity Collective Trust of New Jersey (SACT) is a voluntary investment program that provides retirement income separate from, and in addition to, your basic pension plan. Your contributions are invested conservatively in the stock market. The program consists of two separate plans, the SACT-Regular Plan and the SACT-Tax-Sheltered Plan (IRC Section 403(b)).

Under the **Regular Plan**, your contributions are taken from salary that has been subject to federal income tax. When funds are withdrawn at retirement or separation of service, the contributions are not subject to federal income tax, but the earnings on those contributions are taxable.

Under the **Tax-Sheltered Plan** you enter into a salary reduction agreement with your employer, so that the salary your employer reports to the Internal Revenue Service is reduced by the amount of your contributions. When the funds are withdrawn at retirement or separation, the contributions and earnings are subject to federal taxation as ordinary income. New Jersey Gross Income Tax and Social Security do not afford similar tax-sheltered benefits and those taxes must be paid on gross salary during participation in SACT.

## ARE YOU ELIGIBLE TO ENROLL IN SACT?

To be eligible to participate in the SACT-Regular Plan, you must be an actively contributing member of one of the state-administered retirement systems:

- PERS — Public Employees' Retirement System,
- TPAF — Teachers' Pension and Annuity Fund,
- PFRS — Police and Firemen's Retirement System,
- SPRS — State Police Retirement System, or
- JRS — Judicial Retirement System.

Eligibility for the SACT-Tax-Sheltered Plan also requires membership in a state-administered retirement system. In addition, you must be employed by a public educational institution. Elected officials are ineligible for the SACT Tax-Sheltered Plan.

## HOW AND WHERE CAN YOU ENROLL?

You can obtain the necessary enrollment form(s) from your Human Resource Representative, your Board of Education Office, or directly from SACT. For the SACT-Regular Plan, you need only complete the *Enrollment Application* and have your employer certify it and forward the application to the SACT office. All SACT enrollments are processed quarterly. You and your employer will receive confirmation copies and your enrollment will be effective the next calendar quarter. You may change your rate of contribution or stop (suspend) deductions at the beginning of a quarter by timely completing a *SACT Change Request Form*.

To enroll in the SACT-Tax-Sheltered Plan, you must complete two forms — the *Enrollment Application* and a *Salary Reduction Agreement*. Your employer certifies the application and forwards the forms to the SACT office. All SACT enrollments are processed quarterly. You and your employer will receive confirmation copies, and your enrollment will be effective the next calendar quarter. Salary reduction agreements may be filed once each calendar quarter. You may change your rate of contribution or stop (suspend) deductions by timely completing a *SACT Change Request Form* and a new *Salary Reduction Agreement*.

## HOW MUCH CAN YOU CONTRIBUTE?

The SACT-Regular Plan allows contributions in whole percentages beginning at 1 percent of your base salary. The maximum contribution allowable falls under the \$49,000 IRCAIS limits for 2009 (includes Pension 414(h) contributions). Lump-sum contributions of \$50 or more are allowed in the third month of any calendar quarter. Although your contributions to the regular plan are "after tax contributions," your accumulated earnings are deferred from federal tax until you withdraw your money.

The SACT-Tax-Sheltered Plan allows contributions in whole percentages beginning at 1 percent of your compensation (base salary minus pension contribution). The maximum contribution allowable is the prevailing IRS maximum for all 403(b) plans (\$16,500 in 2009 if under age 50, \$22,000 for individuals age 50 and older). Your

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contributions are excluded from your income for federal income tax purposes.

### WHEN AND HOW DO YOU GET YOUR MONEY?

Generally, your SACT-Regular or SACT-Tax-Sheltered account may only be paid out when you cease to be an active member of the basic retirement system due to withdrawal, death, or retirement. If you withdraw from the pension system, you must also withdraw your SACT account as a lump-sum settlement. If you die before you retire, your beneficiary will receive a lump-sum settlement of your account. 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. If you retire, SACT will provide a quotation of your account with detailed distribution options. There are six available options:

- a monthly variable annuity for your life only;
- a lump-sum settlement;
- a monthly variable annuity with guaranteed benefits to you or your beneficiary for 5 years and for your life only thereafter;
- a monthly variable annuity with guaranteed benefits to you or your beneficiary for 10 years and for your life only thereafter;
- a monthly variable annuity for your life with your beneficiary to receive an equal variable annuity benefit after your death; or
- a monthly variable annuity for your life with your beneficiary to receive one-half of the variable annuity benefit after your death.

**Note:** You cannot change the beneficiary, regardless of the circumstances. If your designated beneficiary dies before you, annuity payments will only continue during your life, with no alternate survivor payout.

An explanation of each option will be provided upon request. Your necessary paperwork for account distribution should be filed within 30 days after your effective date of retirement. This is because, if you elect to receive a lump-sum settlement, your account does not participate in the Trust after the close of the month in which you cease to be a member of the basic retire-

ment system. Your account value will be frozen as of the close of that month and no additional earnings will be credited to your account beyond that date.

### SPECIAL TRANSFER OPTION BEFORE TERMINATION OF ACTIVE MEMBERSHIP IN A BASIC RETIREMENT SYSTEM

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. Prior to this, state law prohibited such transfers into and out of the SACT. Effective January 1, 1997, any eligible employee may authorize the transfer of all or any portion of a tax-sheltered annuity account with the SACT to be transferred to a similar account with any authorized ACTS investment provider. Likewise, all or any portion of a tax-sheltered annuity account with any authorized ACTS investment provider may be transferred to an account with the SACT.

If you are employed by one of the educational organizations mentioned above and are interested in transferring funds from your SACT-Tax-Sheltered account 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-Tax-Sheltered account, you should contact the SACT office for the necessary transfer form.

### WHAT ARE THE TAX CONSEQUENCES?

Your settlement check stub(s) provides information necessary for filing your income tax returns. In addition, at the end of the year in which you receive your distribution(s), the Division of Pensions and Benefits will issue *Form 1099R* to those receiving lump-sum distributions or monthly annuity checks. Earnings on a lump-sum distribution from the SACT-Regular Plan or an entire SACT-Tax-Sheltered distribution are eligible for rollover to an Individual Retirement Account.

**QUESTIONS? Contact the SACT office of the Division of Pensions and Benefits in writing or call (609) 633-2031. The SACT office will answer your questions and forward account information and any necessary forms.**

This fact sheet has been produced and distributed by:

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