



# Supplemental Annuity Collective Trust of New Jersey (SACT)

Information for:  
All Funds

## OVERVIEW

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. With SACT, your contributions are invested conservatively in the stock market. The program consists of two separate plans:

- Under the SACT Regular Plan, your contributions are taken from salary that has been subject to federal and state income tax. When funds are withdrawn at retirement or separation of service, the contributions are not subject to federal or state income tax, but the earnings on those contributions are taxable.
- Under the SACT Tax-Sheltered Plan (Internal Revenue Code (IRC) Section 403(b)), you enter into a salary reduction agreement with your employer, so that the salary your employer reports to the Internal Revenue Service (IRS) 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 When the funds are withdrawn at retirement or separation, the contributions and earnings are subject to federal taxation as ordinary income.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; those taxes must be paid on gross salary during participation in SACT.

## ELIGIBILITY 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:

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

Only members of the PERS and the TPAF who are employed by public educational institutions are eligible to participate in the SACT Tax-Sheltered Plan. Elected officials are ineligible for the SACT Tax-Sheltered Plan.

### How And Where To Enroll

You can obtain the necessary enrollment form(s) from your benefits administrator or directly from SACT. For the SACT Regular Plan, you need only complete the *Enrollment Application* and have your employer certify 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 of Contribution 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 completing a *SACT Change of Contribution Request Form* and a new *Salary Reduction Agreement*. If you change employers, you must complete a new *Enrollment Application* and check the box to request a transfer of your SACT account.

## CONTRIBUTION LIMITS

The SACT Regular Plan allows contributions in whole percentages beginning at one percent of your base salary. The maximum contribution allowable falls under the \$70,000 IRS limits for 2025 (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 one percent of your compensation (base salary minus pension contribution). The maximum contribution allowable is the prevailing IRS maximum for all 403(b) plans (\$23,500 in

2025 if under age 50, \$30,500 for individuals age 50 and older). Your contributions are excluded from your income for federal income tax purposes.

## DISTRIBUTIONS

Generally, your SACT Regular or SACT Tax-Sheltered account will only be paid out when you cease to be an active member of a State-administered 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.

You name primary and contingent beneficiaries when you enroll. You may change your beneficiary anytime before you have taken a distribution by submitting a *Designation of Beneficiary – Supplemental Annuity Collective Trust* form. Once you have taken a distribution, you cannot change the beneficiary(ies) regardless of the circumstance.

If you die before you retire, your beneficiary will receive a lump-sum settlement of your account. If your beneficiary is a person (not 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 lump-sum settlement;
- a monthly variable annuity for your life only;
- a monthly variable annuity with guaranteed benefits to you or your beneficiary for five 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.

An explanation of each option will be provided upon request. Your application for account distribution should be filed within 30 days after your effective date of retirement. This is important should you elect to receive a lump-sum settlement, because your account will be frozen after the close of the month in which you cease to be a member of the State-administered retirement system. No additional earnings will be credited to your account beyond the close of the month of your retirement date.

## SPECIAL TRANSFER OPTION

Employees of the Department of Education, the Commission on Higher Education, or the governing body of any public institution of higher education may transfer funds between tax-sheltered annuity, 403(b) accounts under the Additional Contributions Tax-Sheltered (ACTS) Program and the SACT. However, prior to 1996, State law prohibited such transfers into and out of the SACT.

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.

## 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 New Jersey Division of Pensions & Benefits (NJDPB) will issue Form 1099R to those receiving lump-sum distributions or monthly annuity checks. Lump-sum distribution from the SACT Regular Plan or an entire SACT Tax-Sheltered distribution are eligible for rollover to an Individual Retirement Account (IRA).

## FOR MORE INFORMATION

Contact the SACT office of the NJDPB by email at [pensions.nj@treas.nj.gov](mailto:pensions.nj@treas.nj.gov) or call (609) 292-7524. The SACT office will answer your questions and forward account information and any necessary forms.

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*This fact sheet has been produced and distributed by:*

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