

Certified Loan Request



Explore Your Benefits

Public Employees' Retirement System (PERS)

Teachers' Pension and Annuity Fund (TPAF)

Police and Firemen's Retirement System (PFRS)

State Police Retirement System (SPRS)

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Certified Loan Request

Internal Revenue Service (IRS) Regulations For Pension Loans

*If, after reading this booklet, you have questions about your certified loan request, call the New Jersey Division of Pensions & Benefits (NJDPB) Office of Client Services at **(609) 292-7524**.*

LOAN PROVISIONS

Before submitting a *Certified Loan Request*, please be certain the member reads and understands these loan provisions and the IRS Requirements (listed on the last page).

- To be eligible to borrow, the member must be actively contributing to an eligible retirement system and have at least three years of contributing membership POSTED to the account (this usually occurs three years and two months after enrollment).
- Members are permitted **no more than two loans in a calendar year**.
- The loan balance cannot be more than one-half of the contributions posted to the member's account. Further, the IRS requires a new loan amount, when added to the highest balance due (without interest) during the 12-month period for all loans from all employer-provided retirement plans, cannot exceed \$50,000.
- **Loans must be repaid within five years.** Furthermore, members who have multiple outstanding loans **must repay the balance of all loans taken within a period not to exceed five years from the issuance of the first loan.** If a loan cannot be repaid within the five-year maximum when paid at the maximum allowable loan deduction of 25 percent of the base salary, the loan may be denied or the member may be issued a loan in a smaller amount than requested. Members with existing loan balances who take a new loan may see the loan deduction increase if the loan cannot be repaid within the five-year maximum when paid at the normal minimum deduction (see the form instructions and IRS Requirements for additional details).
- The interest rate is the prevailing rate set annually by the Treasurer, and is calculated on the unpaid balance of the loan. A nonrefundable administrative fee may also be deducted from the requested loan amount. For the current interest rate and any administrative fee go to:
www.nj.gov/treasury/pensions
- If the member retires with an outstanding loan balance, the member will have the option to pay off the outstanding loan balance **in its entirety** or to repay the loan through deductions from the monthly retirement allowance until the balance of the loan **together with interest** is repaid. Payments will be the monthly equivalent of the amount deducted from compensation immediately before retirement.
- If the member dies before the outstanding loan balance with interest has been recovered, the remaining balance will be repaid from the proceeds of any other benefit payable to the beneficiary(ies), including group life insurance or monthly payments.

INSTRUCTIONS FOR COMPLETING THE CERTIFIED LOAN REQUEST

Use this form only when a member cannot submit a pension loan request using the Member Benefits Online System (MBOS) because:

- 1.) The member has been on leave of absence without pay or transferred employers within the last six months;
- 2.) The member is paid by State supplemental payroll; or
- 3.) The employer is late submitting the Quarterly Report of Contributions.

Do not submit this request for any other reason, or it will be returned.

All other pension loan requests **MUST** be submitted using MBOS. For more information about MBOS visit the NJDPB website at: www.state.nj.us/treasury/pensions

PART 1 — MEMBER INFORMATION AND LOAN REQUEST

The member must complete **Part One of the application**. We suggest the loan check be mailed to the member's home address instead of work. Loan checks must be mailed and cannot be picked up at the NJDPB.

The member must indicate the loan amount: No loan may be less than \$50 and increase in multiples of \$10. The loan amount may not exceed 50 percent of the member's total contributions and the loan balance may not exceed \$50,000. If the amount of the loan requested, when added to any existing loan balance, exceeds \$50,000, the member will be issued a check for the difference between the loan balance and \$50,000, when added to the highest balance due (without interest) in a prior 12 month period for all loans (please see IRS Regulations).

The member should request a repayment schedule: Loans have a maximum repayment schedule of five years. Members may specify whether they wish to have the minimum payment, have the loan paid off by a specific date, or pay more than the minimum deduction. If a box is not selected, the loan repayment schedule is set to the minimum payment for no more than a five-year period (the minimum repayment must be equal to or greater than the member's monthly or, for State employees, biweekly base salary multiplied by the current full rate of pension contributions).

Members with large existing loan balances who take a new loan will likely see the loan deduction increase if the loan cannot be repaid within the five-year maximum when paid at the normal minimum deduction.

The member must sign the request. Prior to signing, please be sure the member reads and understands the Loan Provisions and IRS Requirements included with this request form. **Incomplete and unsigned requests will not be processed.**

IMPORTANT NOTICE: If a member is not satisfied with a loan amount or repayment schedule when the check is received, the loan may be canceled by returning the original uncashed loan check. If a loan check is returned, the funds are deposited back into the pension account and will be available with the next quarterly posting.

**BY CASHING THE LOAN CHECK THE MEMBER IS AGREEING
TO THE LOAN AMOUNT AND THE REPAYMENT SCHEDULE**

PART 2 — EMPLOYER CERTIFICATION

The employer must complete the Certification portion of the request.

Indicate the reason why the *Certified Loan Request* is being submitted. Complete the items for current salary, and the additional return to payroll and/or transfer information as appropriate.

The employer must sign the *Certified Loan Request*. Mail the completed request to the Loan Section, Division of Pensions & Benefits, P.O. Box 295, Trenton, NJ 08625-0295, or fax the completed request to (609) 292-3613.



State of New Jersey • Department of the Treasury
DIVISION OF PENSIONS & BENEFITS — LOAN SECTION
P.O. Box 295, Trenton, NJ 08625-0295
CERTIFIED LOAN REQUEST

Employers must submit this certified form for a member who cannot use MBOS. (See Instructions)

PART 1 — MEMBER INFORMATION AND LOAN REQUEST (To be completed by the member - Please print)

- 1. Pension System: (Check one) [] PERS [] TPAF [] PFRS [] SPRS
2. Print Your Full Name _____ 3. Birth Date ____/____/____
4. Membership or Social Security Number _____

LOAN AMOUNT — Please check ONE of the following boxes:

- [] I want to borrow the MAXIMUM amount.
[] I DO NOT want to borrow the maximum amount. I want to borrow (SPECIFY AMOUNT) \$ _____

NOTE: Any administrative fee will be automatically deducted from the requested loan amount. For information about the current administrative fee go to www.nj.gov/treasury/pensions

REPAYMENT — Please check ONE of the following boxes:

- [] I want to repay the MINIMUM amount. [] I want to repay the loan by (SPECIFY DATE) _____
[] I want to pay MORE than the minimum repayment (Specify amount) _____
Payment amount cannot exceed 25 percent of your base salary.

Monthly \$ _____
Biweekly State Employees Only \$ _____

ADDITIONAL LOAN BALANCE(S): Provide the highest loan balance (principal only without interest) you had in the prior 12 months from all retirement plans that you have an interest in due to your employment relationship with New Jersey and any other governmental plans sponsored or administered by your public sector employer other than TPAF, PERS, PFRS, or SPRS.

- [] NO; I do not have any additional loan balances.
[] YES; I have retained verification for my records of my highest loan balance(s) I had in the prior 12 months. I also understand that this is subject to audit. I certify that the following represent(s) the highest loan balance(s) (without interest) I had in the prior 12 months from all retirement plans. 1st loan balance: \$ _____ 2nd loan balance: \$ _____

I agree to comply with the repayment terms and conditions which are in accordance with federal guidelines. Should I fail to make required repayments, the unpaid balance will be considered a distribution from my retirement account subject to the distribution rules under Section 72(p) of the Internal Revenue Code (see Loan Provisions on reverse side). I certify that I am an actively contributing member and currently receiving a salary.

Signature of Member (Required) _____ Date _____ Current Employer _____
Mailing Address (Street) _____
(City, State, Zip Code) _____
If new address, check here [] Daytime Telephone No. () _____

PART 2 — EMPLOYER CERTIFICATION (To be completed by the employer - Please print)

This Certified Loan Request is being submitted for the following reason.

- [] Employee is paid on a State supplemental payroll. [] Employee transferred within the last six months.
[] Employee on leave of absence without pay within the last six months. [] Employer was late in submitting the Quarterly Report of Contributions.

Date Member Returned to Payroll (For Leave or Transfer) ____/____/____ Current Salary \$ _____
Amount of Loan Contributions submitted since return \$ _____ New Location Code (Transfers only) _____
Signature of Certifying Officer _____ Telephone No. () _____

IRS Regulations For Pension Loans

Loan balances must be repaid within five (5) years. Furthermore, the new loan amount, when added to the highest balance due (without interest) during the prior 12-month period for all loans from all retirement plans that you have an interest in due to your employment relationship with New Jersey and/or any other governmental plans sponsored or administered by your public sector employer in New Jersey cannot exceed \$50,000.

IRS regulations also require members to make timely payments toward outstanding loan balances. Members are notified* after nonpayment (zero contributions) toward the balance of an outstanding loan and offered the following options:

- Pay the loan off through a lump sum repayment;
- Repay the loan in monthly installments through personal billing;
- Take a taxable distribution; or
- Repay through employer payroll deductions if the member returns to employment.

Failure to repay the loan as scheduled may result in the unpaid loan balance being declared a deemed distribution that is taxable under the rules of Section 72(p) of the Internal Revenue Code.

- In this event, the NJDPB will report the distribution to the IRS and send you a Form 1099-R for tax filing purposes in January of the year following distribution.
- You will be required to include the portion of the loan representing before-tax contribution as income on your federal return.
- In addition, if you are under age 59½, you will be required to pay an additional 10 percent tax for taking an early pension distribution.

A deemed distribution cannot be canceled by resuming loan payments or repaying the loan in full prior to the end of the tax year in which the deemed distribution occurs. Unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or another qualified retirement plan.

Members who take a loan and subsequently fail to remit loan payments may also be subject to additional IRS penalties.

**Members must return their payment option selection within 30 days of notification of nonpayment; failure to respond within the 30 days will result in the unpaid loan balance being declared a taxable distribution.*