

CHAPTER 8

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST PROGRAM

Authority

N.J.S.A. 52:18A-111 et seq.

Source and Effective Date

R.2001 d.146, effective April 10, 2001.
See: 33 N.J.R. 212(a), 33 N.J.R. 1399(a).

Chapter Expiration Date

In accordance with N.J.S.A. 52:14B-5.1c, Chapter 8, Supplemental Annuity Collective Trust Program, expires on October 7, 2006. See: 38 N.J.R. 2037(a).

Chapter Historical Note

Chapter 8, Supplemental Annuity Collective Trust, was adopted and became effective prior to September 1, 1969.

Subchapter 4, Qualified Voluntary Employee Contributions, was adopted as R.1982 d.348, effective October 18, 1982. See: 14 N.J.R. 556(b), 14 N.J.R. 1164(e).

Pursuant to Executive Order No. 66(1978), Chapter 8, Supplemental Annuity Collective Trust, was readopted as R.1985 d.378, effective June 27, 1985. See: 17 N.J.R. 682(a), 17 N.J.R. 1907(b).

Pursuant to Executive Order No. 66(1978), Chapter 8, Supplemental Annuity Collective Trust, expired on June 27, 1990

Chapter 8, Supplemental Annuity Collective Trust, was adopted as new rules by R.1990 d.515, effective October 15, 1990. See: 22 N.J.R. 1900(a), 22 N.J.R. 3238(b).

Pursuant to Executive Order No. 66(1978), Chapter 8, Supplemental Annuity Collective Trust, expired on October 15, 1995.

Chapter 8, Supplemental Annuity Collective Trust Program, was adopted as new rules by R.1996 d.321, effective July 15, 1996. See: 28 N.J.R. 2340(a), 28 N.J.R. 3612(a).

Pursuant to Executive Order No. 66(1978), Chapter 8, Supplemental Annuity Collective Trust, was readopted as R.2001 d.146, effective April 10, 2001. See: Source and Effective Date.

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SUBCHAPTER 1. ADMINISTRATION

17:8-1.1 Council meetings

(a) The council shall meet, as necessary, at the call of the Chairperson or the Secretary.

(b) Any two members of the council shall constitute a quorum for the purpose of conducting the business of the council.

(c) If a member is unable to attend a meeting, he shall designate a person to represent him as his alternate. The person so designated shall be permitted to vote on business brought before the council.

Amended by R.1997 d.294, effective July 21, 1997.
See: 29 N.J.R. 1685(a), 29 N.J.R. 3269(a).

17:8-1.2 Records

(a) The minutes of the council meetings are public records and may be inspected during regular business hours at the office of the Division of Pensions and Benefits under supervision of the chief accountant or other representatives of the office.

(b) Records considered confidential include specific individual account or investment recommendations, mailing addresses of active and retired participants and individual

files relating to beneficiary designation where no official purpose or reason for inspection is indicated.

Amended by R.1997 d.294, effective July 21, 1997.
See: 29 N.J.R. 1685(a), 29 N.J.R. 3269(a).

17:8-1.3 Appeals from council decisions

The following statement shall be incorporated in every written notice setting forth the council's determination in a matter where such determination is contrary to the claim made by the claimant or his legal representative:

If you disagree with the determination of the council in this matter, you may appeal by sending a written statement to the council within 45 days from the date of this letter, informing the council of your disagreement and all of the reasons therefor. If no such written statement is received within the 45-day period, this determination shall be considered final.

17:8-1.4 Variable annuity; general description

(a) In a variable annuity the life income is a specific fixed number of variable equity units per month. The dollar value of the variable unit varies from time to time mainly by reason of gains and losses and dividend earnings on the Variable Division's investments. These gains and losses include those resulting from sales, from changes in market value and from mortality experience.

(b) Three accounts are maintained in order to account properly for the accumulation of the contributions received, the annuity payments to be made, and the gains and losses and earnings of the investment portfolio.

1. During the years prior to retirement, contributions are converted into equity units and accumulated in the Variable Accumulation Accounts.

2. At retirement when annuity payments for a participant are to begin, the number of equity units credited to a participant's accumulation account is transferred to the Variable Benefit Account.

3. An income distribution summary is maintained to record the changes in the value of the assets in the Variable Division.

17:8-1.5 Variable Accumulation Account

(a) All contributions received from participants shall be credited to the Variable Accumulation Account and shall be converted into a number of equity units.

(b) An individual accumulation account will be maintained for each participant.

(c) Participant's contributions shall be converted into equity units quarterly on the basis of the value per equity unit at the end of the quarter during which the contributions are made.

(d) For eligible transfers from authorized tax-deferred annuity providers, the amount transferred shall be converted into equity units monthly on the basis of the value per equity unit at the end of the month during which the transfer is received by the Division of Pensions and Benefits.

(e) The total number of equity units credited to a participant's accumulation account will be increased by one third of one percent per month.

(f) In the event of termination of an accumulation account due to retirement prior to the end of a quarter, contributions since the first of the quarter shall be converted into equity units on the basis of the value per equity unit as of the end of the month of termination.

(g) Upon termination for death or withdrawal, the value of a participant's accumulation account shall be the sum of the equity units credited to his account as of the first day of the current quarter, increased by one third of one percent per month to the end of the month of termination, multiplied by the value per equity unit as of the end of the month of termination plus the participant's contributions during the current quarter.

(h) For eligible transfers to authorized tax-deferred annuity providers, the amount designated by the participant for transfer shall not exceed the value of a participant's accumulation account calculated by taking the sum of the equity units credited to an account as of the first day of the current quarter, increased by one-third of one percent per month to the end of the month of transfer, multiplied by the value per equity unit as of the end of the month of transfer.

(i) The total number of equity units in force in the Variable Accumulation Account at the end of each month shall be determined as follows:

1. The number of equity units in force at the start of the month; plus

2. The number of equity units credited as of the first of the month for participant's contributions received during the preceding quarter, if any; less

3. The number of equity units paid out in the current month on account of terminations for death or withdrawals during the preceding month; less

4. The number of equity units transferred to the Variable Benefit Account as of the first of the month for retirements during the preceding month; plus

5. One third of one percent of the balance so obtained.

Amended by R.1997 d.294, effective July 21, 1997.
See: 29 N.J.R. 1685(a), 29 N.J.R. 3269(a).

Inserted new (d) and (h), recodified former (d) through (f) and (g) to (e) through (g) and (i).

17:8-1.6 Variable Benefit Account

(a) At the retirement of a participant, the number of equity units credited to a participant in his accumulation account as of the date of retirement shall be transferred to the Variable Benefit Account.

(b) The number of equity units to be transferred into the Variable Benefit Account shall be the sum of the equity units credited to his account as of the first day of the current quarter increased by one third of one percent per month for each month since the end of the prior quarter to the end of the month of retirement plus the additional equity units credited for contributions, if any, during the current quarter.

(c) In the event a participant elects a lump sum payment at retirement, the amount payable shall be the product of the number of equity units in his Variable Accumulation Account multiplied by the value per equity unit as of the end of the month of retirement.

(d) Annuities shall be payable to a participant from the Variable Benefit Account and will be expressed in terms of a number of equity units.

(e) The number of units payable monthly to a participant or his beneficiary shall be determined by dividing the number of equity units transferred to the Variable Benefit Account at retirement by the present value of one equity unit payable monthly for life on the basis of the interest and mortality tables then in effect, modified as appropriate for optional selections.

(f) The dollar amount of a retired participant's monthly annuity payment shall be the number of units payable to him monthly, multiplied by the value of each unit as of the end of the quarter preceding the month during which the current annuity payment is made.

1. This monthly dollar amount would vary from quarter to quarter, or otherwise at the discretion of the council, with changes in the value of the equity unit.

2. However, the number of units payable monthly to a participant or his beneficiary shall, except for modification under an option, remain constant.

(g) The total number of equity units credited to all retired participants or their beneficiaries in the Variable Benefit Account will be decreased by the total number of units paid each month.

(h) The total number of equity units credited to the Variable Benefit Account will be increased by one third of one percent per month.

(i) The total number of equity units in force in the Variable Benefit Account at the end of each month shall be determined as follows:

1. The number of equity units in force at the start of the month; plus

2. The number of equity units transferred from the Variable Accumulation Account as of the first of the month for retirements during the preceding month; less

3. The number of equity units paid out to retired participants or their beneficiaries during the current month; plus

4. One third of one percent of the balance so obtained.

(j) The number of equity units in force will be reviewed at least once in every three-year period and, if necessary, adjusted to equal the total present value in equity units of all annuities in force on the basis of actuarial valuation. The mortality gain or loss for the period shall be allocated to the Income Distribution Summary and then apportioned to the Variable Accumulation Account and the Variable Benefit Account as herein provided.

17:8-1.7 Income Distribution Summary

(a) The Income Distribution Summary shall be the account to which the investment income and gains or losses of the Variable Division shall be credited or charged. Such gains or losses shall reflect appreciation and depreciation in the market value of investments.

(b) The net gain or loss not previously allocated to accounts terminated during the current quarter shall be distributed to the Variable Accumulation Account and the Variable Benefit Account on the basis of the equity units in force in each account at the end of each quarter.

17:8-1.8 Computation of dollar values of equity units

(a) At the end of each month, which shall be the monthly unit valuation date, the value of the equity unit as of the end of such month shall be determined by dividing the excess of (b) over (c) by (d) below.

(b) Market value in dollars of the assets in the Variable Division at the end of the current month.

(c) The total contribution income received for the current quarter reduced by:

1. The contributions for the current quarter applicable to terminations during the current quarter; and

2. The contributions for the current quarter applicable to retirements during the current quarter.

(d) The sum of the total number of equity units in force in the Variable Accumulation Account and the Variable Benefit Account as of the end of the current month.

17:8-1.9 Payment of pension loan balance upon retirement

(a) At the retirement of a participant with a pension loan outstanding from the Teachers' Pension and Annuity Fund

or the Public Employees' Retirement System, the participant may elect to use funds in his or her variable accumulation account to satisfy all or any portion of the pension loan.

(b) An election to use funds from a variable accumulation account to satisfy a pension loan balance must be filed with the Council within a 60 day period ending 30 days prior to the effective date of retirement on the approved form.

New Rule, R.1997 d.294, effective July 21, 1997.
See: 29 N.J.R. 1685(a), 29 N.J.R. 3269(a).

SUBCHAPTER 2. ENROLLMENT, CONTRIBUTIONS AND TRANSFERS

17:8-2.1 Enrollment; exceptions

Enrollment is to be effective only at the beginning of a calendar quarter except 10-month employees of boards of education may enroll as of September 1. In each case, an employee must be enrolled in a State-administered retirement system prior to enrolling in the Supplemental Annuity Collective Trust.

17:8-2.2 Enrollment applications

Each employee participating in the regular and tax-sheltered programs shall file a Supplemental Annuity Collective Trust enrollment application on the prescribed form, which shall be completed and certified by the employer.

17:8-2.3 Salary reduction; exceptions

As a condition of enrollment in the tax-sheltered annuity plan, salary reduction agreements on the approved form shall be entered into by the eligible employee and the employer. Such agreements shall commence only at the beginning of a calendar quarter, except 10-month employees of boards of education may enroll as of September 1. In each case, an employee must be enrolled in a State-administered retirement system prior to enrolling in the Supplemental Annuity Collective Trust.

17:8-2.4 Contributions; limitations

(a) Participants may contribute from one percent to 10 percent of base salary through payroll deductions on certification from the Division of Pensions; no fractional percentages are permitted.

(b) Contributions shall be in even dollar amounts rounded to the nearest dollar (\$0.50 and over rounded to the next higher dollar).

(c) In the event an employee is eligible to participate in both the regular supplemental annuity plan and the tax-sheltered annuity plan, the combined contributions may not exceed 10 percent of base salary.

17:8-2.5 Salary reductions; limitations

(a) The rate of salary reduction shall be stated as a percentage of base salary from one percent to 10 percent; no fractional percentages are permitted.

(b) Contributions shall be in even dollar amounts rounded to the nearest dollar (\$0.50 and over rounded to the next higher dollar).

17:8-2.6 Contribution change; regular SACT and the tax-sheltered annuity plan

(a) A participant may change or discontinue his or her percentage rate of contribution upon written request to the Division of Pensions and Benefits at least 30 days prior to the calendar quarter.

(b) The change shall be effective only at the beginning of a calendar quarter and upon certification from the Division of Pensions and Benefits.

(c) If payroll deductions to the SACT program have been suspended by the participant, such payroll deductions may be resumed by giving at least 30 days' written notice to the Division of Pensions and Benefits. The resumption of such payroll deductions shall not occur within three months of the date on which the payroll deductions were suspended.

(d) A participant changing his or her contribution to the tax-sheltered annuity plan shall file a new salary reduction agreement.

Amended by R.1997 d.294, effective July 21, 1997.
See: 29 N.J.R. 1685(a), 29 N.J.R. 3269(a).

Section name changed; amended Department references throughout; in (a), substituted "calendar quarter" for "effective date of the change"; and added (d).

17:8-2.7 (Reserved)

Repealed by R.1997 d.294, effective July 21, 1997.
See: 29 N.J.R. 1685(a), 29 N.J.R. 3269(a).

Section was "Salary reduction change; tax-sheltered supplemental annuity".

17:8-2.8 Lump-sum contribution; limitation

(a) Participants who are contributing through payroll deductions to the regular supplemental annuity collective plan, not the tax-sheltered annuity plan, may make lump sum contributions in the third month of any calendar quarter in whole dollar amounts of \$50.00 or more. No participant may contribute in excess of 10 percent of base salary by lump sum and payroll deductions combined in any fiscal year.

(b) Participants who are not contributing through payroll deductions may not make lump sum payments.

Amended by R.1997 d.294, effective July 21, 1997.
See: 29 N.J.R. 1685(a), 29 N.J.R. 3269(a).

In (a), inserted "whole" preceding "dollar amounts of \$50.00 or more".