

CHAPTER 8

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST PROGRAM

Authority

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

Source and Effective Date

R.1996 d.321, effective July 15, 1996.
See: 28 N.J.R. 2340(a), 28 N.J.R. 3612(a).

Executive Order No. 66(1978) Expiration Date

Chapter 8, Supplemental Annuity Collective Trust Program, expires on July 15, 2001.

Chapter Historical Note

Chapter 8, Supplemental Annuity Collective Trust, was filed and became effective prior to September 1, 1969. Amendments to Subchapter 1, Administration, were filed and became effective March 8, 1971 as R.1971 d.34. See: 3 N.J.R. 30(a), 3 N.J.R. 68(a). Further amendments were filed and became effective February 8, 1973 as R.1973 d.46. See: 4 N.J.R. 282(a), 5 N.J.R. 95(c). Further amendments became effective December 5, 1980 as R.1980 d.530. See: 12 N.J.R. 675(e), 13 N.J.R. 47(b). Amendments to Subchapter 2, Enrollment and Contributions, were filed and became effective March 8, 1971 as R.1971 d.34. See: 3 N.J.R. 30(a), 3 N.J.R. 68(a). Further amendments were filed and became effective February 8, 1973 as R.1973 d.46. See: 4 N.J.R. 282(a), 5 N.J.R. 95(c). Further amendments became effective February 24, 1977 as R.1977 d.61. See: 8 N.J.R. 538(a), 9 N.J.R. 148(a). Further amendments became effective September 30, 1980 as R.1980 d.419. See: 12 N.J.R. 496(e), 12 N.J.R. 678(b). Further amendments became effective May 2, 1983 as R.1983 d.128. See: 15 N.J.R. 81(a), 15 N.J.R. 697(a). Amendments to Subchapter 3, Retirement and Termination, were filed and became effective February 8, 1973 as R.1973 d.46. See: 4 N.J.R. 282(a), 5 N.J.R. 95(c). Further amendments became effective December 5, 1980 as R.1980 d.530. See: 12 N.J.R. 675(e), 13 N.J.R. 47(b). Further amendments became effective May 2, 1983 as R.1983 d.128. See: 15 N.J.R. 81(a), 15 N.J.R. 697(a). All provisions of Subchapter 4, Qualified Voluntary Employee Contributions, were filed and became effective October 18, 1985 as R.1985 d.348. See: 14 N.J.R. 556(b), 14 N.J.R. 1164(e).

Pursuant to Executive Order No. 66(1978), Chapter 8 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 expired on June 27, 1990, and the expired provisions were adopted as new rules, with amendments, as 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: Source and Effective Date.

CHAPTER TABLE OF CONTENTS

SUBCHAPTER 1. ADMINISTRATION

- 17:8-1.1 Council meetings
- 17:8-1.2 Records
- 17:8-1.3 Appeals from council decisions
- 17:8-1.4 Variable annuity; general description
- 17:8-1.5 Variable Accumulation Account
- 17:8-1.6 Variable Benefit Account
- 17:8-1.7 Income Distribution Summary

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

SUBCHAPTER 2. ENROLLMENT AND CONTRIBUTIONS

- 17:8-2.1 Enrollment; exceptions
- 17:8-2.2 Enrollment applications
- 17:8-2.3 Salary reduction; exceptions
- 17:8-2.4 Contributions; limitations
- 17:8-2.5 Salary reductions; limitations
- 17:8-2.6 Contribution change
- 17:8-2.7 Salary reduction change; tax-sheltered supplemental annuity
- 17:8-2.8 Lump sum contribution; limitation
- 17:8-2.9 through 17:8-2.11 (Reserved)
- 17:8-2.12 Redeposit and reinstatement
- 17:8-2.13 Beneficiary designation
- 17:8-2.14 Full monthly payments
- 17:8-2.15 Approved annuity

SUBCHAPTER 3. RETIREMENT AND TERMINATION

- 17:8-3.1 Retirement options
- 17:8-3.2 Retirement; beneficiary designations
- 17:8-3.3 Withdrawal or retirement; effective date and form
- 17:8-3.4 Death; transfer to suspense
- 17:8-3.5 Withdrawal; exceptions
- 17:8-3.6 Termination; transfer to suspense
- 17:8-3.7 Separate pension accounts; transfer to trust

SUBCHAPTER 4. QUALIFIED VOLUNTARY EMPLOYEE CONTRIBUTIONS

- 17:8-4.1 Qualified voluntary employee contribution account
- 17:8-4.2 Participant contribution
- 17:8-4.3 (Reserved)
- 17:8-4.4 Tax information

SUBCHAPTER 1. ADMINISTRATION

17:8-1.1 Council meetings

(a) The council shall meet, as necessary, at the call of the Chairman 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.

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 under supervision of the chief accountant or other representatives of the office.

(b) Records considered confidential include specific individual account or investment recommendations, mailing ad-

dresses of active and retired participants and individual files relating to beneficiary designation where no official purpose or reason for inspection is indicated.

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

(e) 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.

(f) 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.

(g) 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.

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.

SUBCHAPTER 2. ENROLLMENT AND CONTRIBUTIONS

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

(a) A participant may change or discontinue his percentage rate of contribution on written request to the Division of Pensions at least 30 days prior to the effective date of the change.

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

(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, but the resumption of such payroll deductions shall not occur within three months of the date on which the payroll deductions were suspended.

17:8-2.7 Salary reduction change; tax-sheltered supplemental annuity

(a) Salary reduction agreements shall remain in force for at least one year without modification.

(b) Changes in the rate of contribution may be made thereafter as of the start of a calendar quarter and will remain in force for one year without modification.

(c) If contributions are suspended, the participant is eligible to resume reductions six months following the effective date of the suspension.

(d) Notice of the change shall be filed with the trust at least 30 days prior to calendar quarter.

(e) Salary reductions and modifications shall become effective upon certification from the Division of Pensions.

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 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.

17:8-2.9 through 17:8-2.11 (Reserved)

17:8-2.12 Redeposit and reinstatement

If a participant's withdrawal or retirement from the Supplemental Annuity Collective Trust has been processed and a check has been issued to him or her covering the value of his or her account in the Supplemental Annuity Collective Trust and he or she subsequently cancels his withdrawal or retirement application from the basic retirement system, his or her supplemental annuity account may be reinstated by the redeposit of the funds withdrawn within 15 days after such cancellation. In this event the amount redeposited shall be converted into equity units on the basis of the value of an equity unit as of the end of the month of redeposit. If a timely redeposit is not made, the employee may reenroll as a new participant at the beginning of any calendar quarter.

17:8-2.13 Beneficiary designation

(a) If the basic retirement system provides for return of accumulated deductions upon the death of the member, the primary and contingent beneficiaries of active participants shall be the same for the trust, unless a separate designation of beneficiary on a form prescribed for the program is filed with the trust. The original nomination of beneficiaries on file with the Supplemental Annuity Collective Trust will remain effective unless a subsequent designation of beneficiary form is filed with the Supplemental Annuity Collective Trust.

(b) In those retirement systems which do not provide for the return of accumulated deductions upon the death of a member, the participant may designate a primary and contingent beneficiary in the Supplemental Annuity Collective Trust on prescribed forms, or in the absence of such designation, his or her estate shall be so designated.

17:8-2.14 Full monthly payments

No annuity shall be due to a retirant or beneficiary unless it constitutes a payment for an entire month. Payments of benefits to eligible survivors shall become effective on the first of the month of the retirant's death and shall terminate as of the month in which the survivor no longer qualifies for such benefits.

17:8-2.15 Approved annuity

A participant shall have the right to withdraw, cancel or change the Supplemental Annuity Collective Trust application for retirement at any time before his or her annuity becomes due and is paid; thereafter, the annuity shall stand as approved.

SUBCHAPTER 3. RETIREMENT AND TERMINATION
17:8-3.1 Retirement options

(a) At retirement a participant shall be paid a variable life annuity unless he or she files a written application prior to retirement requesting:

1. A lump-sum settlement; or
2. The actuarial equivalent as a lesser annuity for life with the provision that:
 - i. In the event of the death of the retirant prior to the expiration of five years from the effective date of the annuity, the annuity will be continued to his designated beneficiary for the remainder of the five-year period.
 - ii. In the event of the death of the retirant prior to the expiration of 10 years from the effective date of the annuity, the annuity will be continued to his designated beneficiary for the remainder of the 10-year period.
 - iii. Upon his or her death, the same variable annuity shall be continued throughout the life of and paid to a natural person as he or she shall nominate by written designation duly acknowledged and filed with the Trust at the time of his or her retirement.
 - iv. Upon his death, one half of his variable annuity shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the council at the time of his retirement.

3. An estate may not be designated as beneficiary under either the five year or 10-year certain and life thereafter options. However, if an estate should become the beneficiary under either of these options, the present value of the number of units payable for the remaining period would be determined according to factors estab-

lished by the trust and a lump sum settlement would be made at the unit value as of the end of the month of death.

(b) At retirement a participant may select only a single retirement option for the settlement of his or her account. If a participant has both a tax-sheltered and a regular supplemental annuity collective trust, such retirement option shall be for the settlement of the combined accounts.

17:8-3.2 Retirement; beneficiary designations

On retirement, participants shall designate a primary and contingent beneficiary provided the retirement option requires such designation.

17:8-3.3 Withdrawal or retirement; effective date and form

(a) Withdrawal or retirement from the Supplemental Annuity Collective Trust is contingent upon the participant's completion of the appropriate forms required by the basic retirement system. In addition, if a retirement option is selected, the appropriate Supplemental Annuity Collective Trust forms shall be filed prior to retirement.

(b) The retirement value of the participant's account shall be determined as of the close of the month in which the retirement becomes effective.

(c) The withdrawal value of the participant's account shall be determined as of the close of the month in which the participant ceases to be a member of a State-administered retirement system.

(d) In the event that an eligible participant elects a lump sum payment of his or her account and the determination of the unit value is delayed past the normal valuation date, the participant may request, in writing, that an amount up to 90 percent of his or her computed equity may be paid initially and the balance paid, once the unit value has been established. Partial payment is contingent upon the receipt of the necessary Supplemental Annuity Collective Trust settlement forms and all information necessary for retirement from the State-administered retirement system.

(e) In the event of deferred retirement in the basic retirement system, no distribution can be made until the retirement becomes effective or the member withdraws his or her account before such retirement date. If the member returns to covered service, his or her account in the Trust will be reestablished on an active basis. During deferred retirement, his or her account shall continue to participate in earnings or losses.

17:8-3.4 Death; transfer to suspense

(a) On the death of a participant the value of his account shall be determined as of the close of the month of death.

(b) If the designated beneficiary does not promptly apply for benefits the account shall be placed in suspense and shall cease participating in earnings or losses.

17:8-3.5 Withdrawal; exceptions

A participant may withdraw from the trust only if the value of his account is \$100.00 or less; otherwise he may not withdraw unless his membership in the basic retirement system has been terminated.

17:8-3.6 Termination; transfer to suspense

If a participant's account in his or her basic retirement system is terminated and later placed in suspense, the value of his or her account in the Supplemental Annuity Collective Trust shall be determined as of the close of the month in which his or her account in the basic retirement system was terminated and he or she shall no longer participate in earnings or losses.

17:8-3.7 Separate pension accounts; transfer to trust

Participants' contributions received by the various pension systems are directly deposited to the Trust as received. Contributions are separately recorded and accounted for by pension system and Supplemental Annuity type (regular supplemental annuity contributions and tax-sheltered supplemental annuity contributions).

**SUBCHAPTER 4. QUALIFIED VOLUNTARY
EMPLOYEE CONTRIBUTIONS**

**17:8-4.1 Qualified voluntary employee contribution
account**

(a) An account shall be maintained in order to properly account for the receipt and accumulation of the contributions made pursuant to this subchapter.

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

(c) At the retirement of a participant, the number of equity units in the participant's account as of the date of retirement shall be transferred, determined, and payable as an annuity, all in accordance with the provisions of N.J.A.C. 17:8-1.6.

(d) Investment income and gains and losses on the contributions made under this subchapter shall be credited or charged in accordance with the provisions of N.J.A.C. 17:8-1.7, and computation of dollar values of the equity units shall be made in accordance with N.J.A.C. 17:8-1.8.

(e) Contributions made under this subchapter shall be commingled for investment purposes with voluntary contributions otherwise made under the Trust.

17:8-4.2 Participant contribution

Due to the Income Tax Reform Act of 1986, qualified voluntary employee contributions were discontinued as of January 1, 1987. The balance of a participant's account continues to be maintained and participates in the gains and losses of the fund until the participant qualifies for distribution.

17:8-4.3 (Reserved)

17:8-4.4 Tax information

For tax reporting purposes, any amount attributable to the participant's qualified voluntary employee contributions shall be reported separately from other amounts distributed from the Trust.