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 contribu-
tions 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withdrawn at retirement or separation of service, 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 con-
tributions are taxable.

• Under the SACT Tax-Sheltered Plan (Internal 
Revenue Code (IRC) Section 403(b)), you enter 
into a salary reduction agreement with your em-
ployer, 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funds are withdrawn at retirement or separation, 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 taxing 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 eli-
gible to participate in the SACT Tax-Sheltered Plan. 
Elected officials are ineligible for the SACT Tax-Shel-
tered 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 confir-
mation copies and your enrollment will be effective 
the next calendar quarter. You may change your rate 
of contribution or stop (suspend) deductions by 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 confir-
mation copies, and your enrollment will be effective 
the next calendar quarter. Salary Reduction Agree-
ments may be filed once each calendar quarter. You 
may change your rate of contribution or stop (sus-
pend) deductions by completing a SACT Change 
Request Form and a new Salary Reduction Agree-
ment. If you change jobs, 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 un-
der the $57,000 IRS limits for 2020 (includes Pen-
sion 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 accumu-
lated 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 contribu-
tion). The maximum contribution allowable is the pre-
vailing IRS maximum for all 403(b) plans ($19,000 in
2020 if under age 50, $26,000 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 one-half of the 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 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 or call (609) 292-7524. The SACT office will answer your questions and forward account information and any necessary forms.

This fact sheet has been produced and distributed by:

New Jersey Division of Pensions & Benefits
P.O. Box 295, Trenton, NJ 08625-0295
(609) 292-7524
For the hearing impaired: TRS 711 (609) 292-6683
www.nj.gov/treasury/pensions