



Alternate Benefit Program (ABP)

Information for:
Alternate Benefit Program

The Alternate Benefit Program (ABP) is a tax-sheltered, defined contribution retirement program for higher education faculty and certain administrators. The ABP provides retirement benefits, life insurance, and long-term disability coverage, which — when combined with Social Security and other tax-deferred plans — can provide security in retirement.

ELIGIBILITY

Full-time and adjunct faculty, part-time instructors, officers, visiting professors, and certain professional administrative staff required to possess a college degree or its equivalent can participate in the ABP. Full-time is defined by statute to include anyone receiving 50 percent or more of base salary, and may include anyone on sabbatical or paid leave of absence for a period not to exceed one year.

Individuals not eligible for membership include: temporary employees (with the exception of visiting professors appointed for a school year, a semester, or a lesser period of time); faculty members temporarily in the U.S. under an F or J visa; employees in a career service title as defined by the New Jersey Civil Service Commission; employees in clerical and other nonprofessional positions; and any employee receiving a retirement benefit from any New Jersey State-administered retirement system, including the ABP.

The following State agencies and institutions of higher education are covered by the ABP:

- Atlantic Cape Community College
- Bergen Community College
- Brookdale Community College
- Camden County College
- County College of Morris
- Cumberland County College
- Department of Education (limited positions)
- Essex County College
- Higher Education Student Assistance Authority
- Hudson County Community College
- Kean University of N.J.
- Mercer County Community College
- Middlesex County College
- Montclair State University
- New Jersey City State University
- N.J. Institute of Technology
- Ocean County College
- Passaic County Community College

- Ramapo College of N.J.
- Raritan Valley Community College
- Rowan University of N.J.
- Rowan College at Burlington County
- Rowan College at Gloucester County
- Rutgers Biomedical
- Rutgers, The State University
- Salem Community College
- Stockton University
- Sussex County Community College
- The College of New Jersey
- Thomas Edison State University
- Union County College
- University Hospital
- Warren County Community College
- William Paterson University of N.J.

TAX-SHELTERED INCOME

Members annually contribute five percent of base or contractual salary matched by an eight percent employer contribution* to a tax-deferred investment account. This account may be established with any of

**N.J.S.A. 18A:66-174 established that as of July 1, 2010, the employer contribution may not exceed eight percent of the maximum salary for State department officers as established by law. Currently, N.J.S.A. 52:14-15.107 sets the maximum annual salary of department officers at \$175,000 per calendar year.*

the current authorized providers: Equitable (formerly AXA), Empower Retirement (formerly MassMutual), MetLife/BrightHouse (formerly Travelers/CitiStreet), Prudential Retirement Services, TIAA, AIG Retirement Services (formerly VALIC), and VOYA.

Additional voluntary federal tax-deferred contributions under Internal Revenue Code (IRC), Section 403(b), may also be made based on the actual base salary paid, less the mandatory five percent member contribution. Before having any additional contributions deducted, members should contact the authorized carrier of their ABP account for a calculation on the exact amount available to them for a Section 403(b) contribution. These contributions cannot exceed the actual dollar limits eligible for tax shelter in a given tax year.

For most ABP members, mandatory employee and employer contributions are held in delayed-vesting status during the first year of ABP-eligible employment. The member is vested in the ABP beginning in the second year of ABP-eligible employment.

Some ABP members can be immediately vested if the member has an existing retirement account containing employee and employer contributions from employment in higher education, or is an active or vested member of a federal or state retirement system and transfers that retirement system membership to the ABP.

When vested, all contributions and accumulations in the ABP account belong to the member and provide benefits when the member is eligible to receive them. Vested members of the ABP are also eligible to apply, through their provider, for loans made from the member's account balance. Contact the authorized provider for borrowing and repayment procedures.

Note: While in delayed-vesting status, loans or the transfer of funds between carriers are not permitted. If a member leaves ABP-eligible employment before

becoming vested, only the employee contributions, including any investment gain or loss, can be refunded. The employer contributions revert back to the employer. The refund of contributions to a non-vested member is considered a withdrawal from the ABP.

RETIREMENT

Six months before retirement, a member should contact the employer and the authorized carrier for information regarding benefits and options. The carriers regularly provide informational seminars on retirement.

A member may elect to receive all or a portion of his/her account in a lump-sum distribution, or as a fixed term or life annuity. There is no minimum retirement age under the ABP; however, lump-sum cash distributions to members under the age of 55 are limited to the member's contributions and earnings. The remaining employer contributions and earnings are only available after age 55. The types of payout plans vary and should be considered when selecting a carrier. All returns of contributions and earnings are considered taxable in the year they are received. There is no minimum retirement age under the ABP.

A member may begin collecting an annuity, or take a cash distribution, at any time after termination of employment; however, if you return to public employment in New Jersey, you cannot participate in any State-administered retirement system. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions.

Post-Retirement Employment Restrictions

If you are considering working after retirement, you should be aware of the restrictions imposed by laws and regulations governing post-retirement employment. It is your responsibility to inform your prospec-

tive employer that you are receiving retirement benefits from a New Jersey State-administered retirement system. As a retiree of the ABP, you are prohibited from enrolling in any New Jersey State-administered retirement system once you have collected a distribution from your tax-deferred investment account. If you want to supplement your income after you retire, employment with a private company, the federal government, or another state will not affect your right to receive your retirement benefits.

Retirees are required to completely separate from service before returning to public employment in New Jersey in a position covered by a different retirement system. IRC sections 401(a) and 414(d) establish the ABP as a qualified governmental defined contribution retirement program. New Jersey State-administered retirement systems generally do not permit the payment of retirement benefits without a complete severance from your employer. In order to preserve the qualified status of the plan and to protect retirees from a 10 percent early distribution tax penalty on their monthly pensions, the New Jersey Division of Pensions & Benefits (NJDPB) is required to adopt and enforce regulations to ensure compliance with the IRC requirements.

Should you return to work with your former employer, you must first determine if you have met the requirements of a bona fide severance of employment as defined under N.J.A.C. 17:1-17.14(a)2. Bona fide severance from employment means there was a complete termination of the employer/employee relationship for a period of at least 180 days from the date of your retirement. Re-employment by a different unit of the same public employer within the 180 days of retirement, whether in a position covered by the same retirement system or a different retirement system, is considered to be employment by the same employer. See the exception in the "Transition To Retirement Programs (TTRP)" section.

Transition to Retirement Program (TTRP)

For ABP members, a Transition to Retirement Program (TTRP) allows members to collect retirement benefits in conjunction with continued active employment without penalty. Members are eligible to participate in a TTRP if they:

- Sign a contract with the employer to participate in a TTRP;
- Are full-time tenured faculty with a minimum age of 55;
- Served a minimum of 10 years at a college or university; and
- Submitted a request to retire under the terms of the TTRP to their employer no later than April 1st of the calendar year preceding the academic year in which they wish to participate in the program.

If eligible to participate in a TTRP, members must adhere to the following program requirements:

- Participating faculty must officially retire from the college or university, then seek re-employment under the terms of the program requirements;
- As retirees, participating faculty have no claims of tenure or other rights and/or obligations of a tenured faculty member;
- In no event shall the total assignment exceed 50 percent of a full-time faculty load; and
- Participating faculty shall receive compensation proportional to the assignment approved by the college or university, which shall not exceed 50 percent of their final year's salary.

Under N.J.A.C. 17:7-8.11, members are limited to a maximum TTRP period of one year after the retirement date. Upon request, evidence shall be submitted to the NJDPB demonstrating the employer's actions to ensure that all TTRPs are compliant with the

one-year requirement. Furthermore, ABP employers shall provide to the NJDPB an annual listing of all ABP members at their location who are participants of their TTRP.

Note: Under N.J.A.C. 17:7-8.11(a)2i, a TTRP agreement established prior to September 21, 2015, and retroactive to July 1, 2008, remains in effect. Members whose prior TTRP agreement allows for participation for more than one year may elect to participate in their TTRP through September 21, 2020.

LIFE INSURANCE COVERAGE

All ABP members are covered by employer-paid life insurance, payable to their designated beneficiaries. For members grandfathered under P.L. 1997, c. 113, this amount is 3.5 times full pensionable salary. For all other ABP members, the amount is 3.5 times pensionable base salary up to the IRS compensation limit under IRC 401(a)(17). This coverage is available without a medical examination to members under age 60. Newly enrolled members 60 years of age or older must undergo a medical examination to qualify. The Internal Revenue Service (IRS) classifies all life insurance coverage over \$50,000 as a fringe benefit subject to taxation. While the amount of the life insurance coverage is not taxable, the premium required to pay for the life insurance coverage is taxable. Members can elect to waive insurance coverage over \$50,000 at any time.

ABP members on a leave of absence without pay continue to be insured for:

- Up to two years while on an approved leave of absence for illness;
- Up to one year while on an approved leave of absence to fulfill a residency requirement for an advanced degree; or
- Up to 93 days while on a leave for other reasons, including child care.

Upon retirement, life insurance reduces to 50 percent of the annual base salary. This life insurance coverage is available in retirement only to members age 60 or older, and only if the member has completed 10 years of participation in the ABP at an eligible New Jersey institution of higher education. The member also had to be an active employee in the twelve months immediately preceding the initial receipt of a retirement annuity payment.

Life insurance coverage ceases 31 days after termination of employment. During the 31-day period following termination of employment, the member may convert existing group life insurance coverage (less any amount of coverage carried over into retirement) into an individual whole life policy, without medical examination. For more information, see the *Conversion of Group Life Insurance* Fact Sheet.

LONG-TERM DISABILITY INSURANCE COVERAGE

A member is eligible for employer-paid, long-term disability insurance coverage after one year of participation in the ABP. If a member is totally disabled due to an occupational or nonoccupational condition, the member is eligible to receive a monthly benefit of up to 60 percent of the base salary earned during the 12 months preceding the onset of the disability. This monthly benefit is offset by any other periodic benefit the member may be receiving, such as Workers' Compensation, short-term disability, or Social Security. In addition, while the member is considered disabled, the member's and the employer's mandatory contributions are automatically credited to the member's retirement account.

The member becomes eligible for the disability benefit after six consecutive months of total disability. To be considered totally disabled due to sickness or accidental bodily injury, the member must be unable to perform any and every duty pertaining to his/her occupation. The member need not be confined

to home, but must be under a doctor's regular care. Eighteen months after the onset of long-term disability eligibility, the member must be unable to engage in any gainful occupation for which he/she is reasonably suited by education, training, or experience. These benefits will be paid as long as the member remains disabled or until the member attains age 70. Should the member begin receiving payments under the retirement annuity, disability benefits will terminate. Total disability is not considered to exist if the member is gainfully employed, incarcerated, or if the disability resulted from an act of war or was intentionally self-inflicted.

The following providers are currently approved by the NJDPB to offer annuity investment accounts for ABP members:

Equitable (formerly AXA)
333 Thornall Street, 8th Floor
Edison, NJ 08837
1-800-628-6673
www.equitable.com/nj

**Empower Retirement
Gitterman Wealth Management**
(formerly MassMutual)
379 Thornall Street
Edison, NJ 08837
(848) 248-4405
<https://wwwrs.massmutual.com/retire/plp/newjersey/index.html>

MetLife/Brighthouse
(formerly Travelers/CitiStreet)
501 US Highway 22
Bridgewater, NJ 08807
1-800-543-2520
www.metlife.com/njabp

Prudential
30 Scranton Office Park
Scranton, PA 18507
1-855-652-2711
TDD line:1-877-760-5166
<http://newjersey.retirepru.com>

**Teachers Insurance and Annuity
Association (TIAA)**
155 Village Blvd, Suite A
Princeton, NJ 08540
1-800-842-8412
www.tiaa.org/njabp

AIG Retirement Services (formerly VALIC)
100 Connell Drive #2100
Berkeley Heights, NJ 07922
(908) 470-4110
<https://njabp.aigrs.com>

VOYA Financial Services
33 Wood Avenue South
Suite 600
Iselin, NJ 08830
1-877-873-0321 or
732-326-5613
www.voya.com

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