

Certified Loan Request



NJDPB
Pensions & Benefits

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)

TABLE OF CONTENTS

Loan Provisions	1
Instructions for Completing the Certified Loan Request	2
Internal Revenue Service (IRS) Regulations For Pension Loans.....	3
<i>Certified Loan Request</i>	

For questions about this *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 loan provisions and the IRS requirements to follow are read and understood.

- To be eligible to borrow, members must be actively contributing to an eligible retirement system and have at least three years of contributing membership posted to their account.
- Members are permitted no more than two loans in a calendar year. If a member applies for a loan in December, but it is issued in January, the loan counts toward the two-year maximum in the new year.
- The loan balance cannot be more than 50 percent of the contributions posted to the member's account. The IRS requires that 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 are sent via Electronic Funds Transfer (EFT) to the bank account the member requests. Under no circumstances can a member be issued a paper check. When applying for a loan, it is the member's responsibility to ensure that the information provided is accurate so the funds are deposited into the proper bank/financial account. Once a loan application is submitted, the loan cannot be canceled.
- A loan deposited into a bank/financial account cannot be returned. A member who wishes to satisfy their full loan balance must request and complete a lump-sum loan payoff which will include the entire principal loan balance plus any accrued interest.
- Loans must be repaid within five years. 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 State 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 administrative fee, visit our website at: www.nj.gov/treasury/pensions
- Members who retire with an outstanding loan balance will have the option to pay off the balance in its entirety or to repay the loan through deductions from the monthly retirement allowance until the balance of the loan plus interest is repaid. The monthly loan payment will be calculated to have the loan plus interest satisfied by the member's five-year end date.
- If the member dies before the outstanding loan balance plus 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, return of contributions, or retirement pension payments.

INSTRUCTIONS FOR COMPLETING THE CERTIFIED LOAN REQUEST

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

1. The member has been on a 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 our website.

PART 1 — MEMBER INFORMATION AND LOAN REQUEST

Complete 1-4, indicating the retirement system of which you are a member, your full name, birth date, and your membership or Social Security number.

Indicate the loan amount you wish to borrow. Loans must be a minimum of \$50 and increase in multiples of \$10. The loan amount may not exceed 50 percent of your 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, a disbursement will be issued for the difference between the loan balance and \$50,000, when added to the highest balance due (without interest) in the prior 12-month period for all loans (see IRS Regulations).

You should request a repayment schedule. Loans have a maximum repayment schedule of five years. You may specify whether you 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 your 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.

You must sign the request. Prior to signing, please be sure to read and understand the Loan Provisions and IRS Requirements included with this request. Incomplete and unsigned requests will not be processed.

PART 2 — EMPLOYER CERTIFICATION

The employer must complete the Certification portion of the request.

Indicate the reason 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*. Email the completed request to: ***PensionsLoans@treas.nj.gov***

PART 3 — ELECTRONIC FUNDS TRANSFER INFORMATION (to be completed by member):

1. Read the terms and conditions.
2. Enter your name, mailing address, membership number, Social Security number, and telephone number.
3. Mark the appropriate payment and account type boxes, and print the financial institution's account number, routing number, and name and address where indicated. Be sure to double check your account and nine-digit routing numbers before submission – inaccurate information will cause the application to be rejected.
4. You and all other parties to this account must sign and date the application.
5. You must attach a voided check if using a checking account and return the completed form to the NJDPB.

IRS REGULATIONS FOR PENSION LOANS

Loan balances must be repaid within five 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 employer-provided retirement plans, including any other governmental plans sponsored or administered by the member's public sector employer in New Jersey, cannot exceed \$50,000.

IRS regulations also require members to make timely payments toward outstanding loan balances, even if the member is on an approved leave of absence or Workers' Compensation. 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; 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 the member a *Form 1099-R* for tax filing purposes in January of the year following distribution.
- Members will be required to include the portion of the loan representing before-tax contributions as income on their federal return.
- In addition, members under age 59 1/2 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.

Paying taxes on a defaulted loan balance does not negate the balance; the member is still responsible for paying the loan balance and any interest that accrues on it within the remaining period left in the original five-year schedule.

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

Note: Loan payments made in the quarter that the five-year end date occurs will not be posted to the member's account until two months after the quarter closes. Therefore, the member will not be able to take a new loan until all payments are posted after the five-year end date.

**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.*

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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.

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 visit our website at: 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): Check "No" or "Yes." If "Yes," provide the highest loan balance (principal only, without interest) you had in the prior 12 months from all employer-provided retirement plans...

- [] 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. First loan balance: \$ _____ Second 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. I certify that I am an actively contributing member and currently receiving a salary.

Signature of Member (required) _____ Date _____ Current Employer _____

Member's Mailing Address: _____
Street City State Zip Code

Cell Phone Number :(_____) _____ Email Address: _____

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 was on a 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 Number (transfers only) _____

Signature of Certifying Officer _____ Telephone Number (_____) _____

Email the completed request to: PensionsLoans@treas.nj.gov



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

DISCLAIMER

By completing information for the electronic deposit of your pension loan directly to your bank, you are acknowledging that you have provided the New Jersey Division of Pensions & Benefits (NJDPB) the accurate bank routing and account numbers. In the event that you have not provided the correct bank account information, you will be responsible for the repayment of the pension loan balance including any accrued interest. In addition, you will be responsible to coordinate reversal of the funds with your bank. You will not be eligible for another pension loan until the reversal of funds are fully refunded to the NJDPB via Wells Fargo Bank, N.A. and all other conditions of eligibility for a loan are met.

PART 3 — ELECTRONIC FUNDS TRANSFER INFORMATION (To be completed by the member. Please print.)

MEMBER INFORMATION

Fund: PERS TPAF PFRS SPRS

Your Name: _____

Membership or Social Security Number: _____

Your Address: _____
Street City State Zip Code

Name of Financial Institution

Street of Financial Institution

City, State, Zip of Financial Institution

Your Signature and Date

_____ Your Account Number
TYPE OF ACCOUNT: <input type="checkbox"/> CHECKING <input type="checkbox"/> SAVINGS
_____ Financial Institution's Nine-Digit Routing Number

Signature of Other Person on Account and Date

Signature of Other Person on Account and Date

Please read the terms and conditions below and attach a voided check if authorizing a checking account. This will be used to verify your financial institution's routing and account number.

TERMS AND CONDITIONS

Benefit Recipient

I authorize the NJDPB and the financial institution indicated to directly deposit my pension loan to the account specified. Direct deposit under this authorization is full satisfaction and discharge of the amount payable under the retirement system or benefit program. I understand that the provisions of the statutes governing the pension funds prohibit the deposit of loan payments to a trust fund. I understand that any loan payment forwarded to the financial institution with a due date after my death will be refunded to the appropriate retirement system. I agree that the financial institution shall have the right of offset for such a refund. I understand that it is my responsibility to inform the NJDPB of address changes immediately. I authorize the financial institution to provide the NJDPB with my home address.

Other Parties to the Account

I authorize the NJDPB and the financial institution to directly deposit the benefit recipient's pension loan to the account specified. This liability is to the retirement system or benefit program. If I am entitled to any benefit from the retirement system or benefit program as a beneficiary of the benefit recipient, the amount of my liability shall be deducted from the amount payable to me.

