

# 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 disability coverage, which — when combined with Social Security and other tax-deferred plans — can provide security in retirement.

## WHO CAN PARTICIPATE?

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 participate in the ABP. "Full-time" has been defined to include anyone receiving 50% 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 Department of Personnel; employees in clerical and other non-professional positions; and any employee receiving a retirement benefit from any New Jersey State 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
- Burlington County College
- Camden County College
- County College of Morris
- Cumberland County College
- Essex County College
- Gloucester County College
- Higher Education Student Assistance Authority (HESAA)
- Hudson County Community College
- Kean University

- Mercer County Community College
- Middlesex County College
- Montclair State University
- New Jersey City University
- New Jersey Institute of Technology
- New Jersey State Commission on Higher Education
- Ocean County College
- Passaic County Community College
- Ramapo College of New Jersey
- Raritan Valley Community College
- Rowan University
- Rutgers, The State University of New Jersey
- Salem Community College
- Sussex County Community College
- The College of New Jersey
- The Richard Stockton College of New Jersey
- Thomas Edison State College
- Union County College
- University of Medicine and Dentistry of New Jersey
- Warren County Community College
- William Paterson University of New Jersey

## HOW MUCH INCOME MAY BE TAX SHELTERED?

Members annually contribute 5% of base or contractual salary matched by an 8% employer contribution to a tax-deferred investment account. This account may be established with any of the current authorized carriers: AIG-VALIC, AXA Financial (Equitable), The Hartford, ING Life Insurance and Annuity Co., Met Life (Travelers/CitiStreet), and TIAA-CREF. (A detailed description of the investment options available to you is provided in the Carrier Comparison Guide available from your employer or the Division of Pensions and Benefits.) Additional voluntary federal tax-deferred contributions under Internal Revenue Code, Section 403(b), may also be made, based on the actual base salary paid less the mandatory 5% member contribution. Before having any additional contributions deducted, members should contact the authorized carrier of their ABP.

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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.

If an ABP member has an existing retirement account containing employee and employer contributions based on employment in higher education, or is an active or vested member of a federal or state retirement system, the member is immediately vested. Vested members of the ABP are eligible to apply for loans from their carrier. Such loans are made from the member's account balances. Members should contact their authorized carrier for details and repayment procedures.

If an ABP-eligible employee is not vested, the mandatory (5%) employee and (8%) employer contributions are held in a delayed vesting status during the initial year of employment. If an employee is not eligible to continue in ABP for the second year of employment, the employee may apply for a refund of contributions from the carrier, and the employer contributions revert back to the employer. While in delayed vesting status, loans and transfer of funds between carriers are not permitted.

### WHAT CAN I EXPECT WHEN I RETIRE?

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. The types of payout plans vary from carrier to carrier and should be considered when selecting a carrier. All returns of contributions and earnings are considered taxable in the year they are received.

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.

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 partici-**

**pate in any State-administered retirement system. The member will automatically be considered retired, regardless of age, if there is any distribution of *mandatory* contributions.**

### IS THERE ANY LIFE INSURANCE COVERAGE?

All ABP members are covered by employer-paid life insurance, payable to their designated beneficiaries, in the amount of three and one-half times the employee's annual base salary. 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 classifies all life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of the life insurance coverage is not taxable, but *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; for further information on this topic, you may contact the Division of Pensions and Benefits (see bottom of this fact sheet) and request Fact Sheet #22, *Waiver of Non-Contributory Group Life Insurance over \$50,000*.

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

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

Upon retirement, life insurance reduces to one-half 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.

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

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any amount of coverage carried over into retirement) into an individual whole life policy, without medical examination. For more information, request Fact Sheet #13, *Conversion of Life Insurance*.

### WHAT HAPPENS IF I BECOME DISABLED?

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 regular monthly income benefit up to 60% of the base salary earned during the 12 months preceding the onset of the disability. This monthly income 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, the member's and the employer's mandatory contributions are automatically credited to the member's retirement account while the member is considered disabled. The member becomes eligible for the disability benefit after six consecutive months of total disability. 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, these benefits terminate.

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. 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 Division of Pensions and Benefits to offer annuity investment accounts for ABP members:**

#### **AIG VALIC**

450 Headquarters Plaza  
Morristown, NJ 07960  
(973) 285-8200 or  
1-800-448-2542

#### **AXA Financial (Equitable)**

333 Thornall Street, 8th Floor  
Edison, NJ 08837  
1-866-786-0856

#### **The Hartford**

303 Lippincott Center, Suite 122  
Marlton, NJ 08053  
1-800-243-7782, Ext. 54400

#### **ING Life Insurance and Annuity Company**

581 Main Street, 4th Floor  
Woodbridge, NJ 07095  
1-877-873-0321

#### **Met Life (formerly Travelers/CitiStreet)**

Met Life of Connecticut  
581 Main Street, 6th Floor  
Woodbridge, NJ 07095  
1-800-545-0108 or  
(732) 602-0500

#### **Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)**

730 Third Avenue  
New York, NY 10017  
1-800-842-8412

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