

LOAN APPLICATION

Loan Information - (609) 292-5175

THIS LOAN APPLICATION IS FOR JUDGES OF
THE NEW JERSEY SUPERIOR, APPELLATE, AND SUPREME COURTS ONLY

Frequently Asked Questions

When can I borrow?

You must have at least three years of pension membership credit posted to your pension account. Pension credit is posted to your account on a quarterly basis, normally 45 days after the end of each quarter. For example, if you enrolled in the pension fund on January 1, 2004, you would have three years posted to your account by March 2007.

You can borrow from your pension account two times within a calendar year.

How much can I borrow?

Loans are made in multiples of ten dollars. The minimum loan amount is \$50. The maximum is one-half of the contributions you have in your account up to \$50,000.

Like service credit, the Division of Pensions and Benefits posts quarterly contributions to your pension account approximately 45 days after the end of each quarter. Members who want to borrow the maximum amount available often wait until the quarterly posting to enable them to borrow more.

What is the interest rate and administrative fee?

The interest rate is the prevailing rate set annually by the Treasurer, and is calculated on the the unpaid balance of the loan. A nonrefundable administrative fee may also be deducted from the total requested loan amount.

For the current interest rate and administrative fee go to:

www.state.nj.us/treasury/pensions/loans_home.htm

What will the repayment schedule be?

Loans are repaid through payroll deductions and **must be repaid within 5 years**.

The minimum deduction is set by law at 3 percent of base salary. Some members with large outstanding loan balances could be required to pay more than the minimum deduction due to Internal Revenue Service requirements that the loan repayment period cannot exceed five years. You can request a repayment larger than the minimum deduction, however, the deduction cannot exceed 25 percent of your base salary.

Please note: Some members with multiple outstanding loans may be required to pay more than the minimum deduction due to Internal Revenue Service regulations requiring repayment of any outstanding loan balance within a period **not to exceed five years from the issuance of the first loan** taken after January 1, 2004. Furthermore, some members with multiple outstanding loans may be limited in the amount they may borrow, or may have their loan request rejected, to assure that the maximum allowable repayment will not exceed 25 percent of base salary.

What are the tax implications if I fail to pay my loan?

Internal Revenue Code Section 72p stipulates that if regular payments are not made on pension loans, the loan is considered a taxable distribution to the member. For more information see the back page of the *Loan Application*.

**READ THESE INSTRUCTIONS CAREFULLY
BEFORE COMPLETING THE ATTACHED APPLICATION.**

COMPLETE ITEMS 1 THROUGH 5

Items 1 through 5 must be completed. We suggest you have your check mailed to your home address instead of work. Loan checks must be mailed and cannot be picked up at the Division of Pensions and Benefits.

COMPLETE STEPS 1 THROUGH 2

STEP 1 - REQUESTING THE LOAN AMOUNT: Loans are made in multiples of \$10 and may not exceed 50 percent of your total contributions. No loan may be less than \$50, and your loan balance may not exceed \$50,000. If the amount of the loan requested, when added to your existing loan balance, exceeds \$50,000, you will be issued a check for the difference between your loan balance and \$50,000. The Division will notify you if the requested loan amount will cause the loan balance to exceed the \$50,000 limit. When requesting your loan amount, be sure to include any administrative fee in the total requested — for information about current administrative fees or other. If you have a question regarding loans, call the Judicial Retirement System Administrator at **(609) 292-5175**.

STEP 2 - REPAYMENT: Loans have a maximum repayment schedule of five years. You can specify whether you wish to have the minimum payment, have your loan paid off by a specific date, or pay more than the minimum deduction. If a box is not selected, your loan repayment schedule will be set automatically to the minimum payment for no more than a five-year period. Your minimum repayment must be equal to or greater than your biweekly base salary multiplied by your full rate of pension contribution — 3 percent. You cannot repay less than the minimum amount. If you choose to pay more than the minimum, your repayment may not exceed 25 percent of your base salary.

Members with large existing loan balances who take a new loan will likely see an increase in their loan deduction if the loan cannot be repaid within the five-year maximum when paid at the normal minimum deduction. You will be notified, in writing, should the Division reject your loan as the result of the minimum loan deduction exceeding 25 percent of your base salary. (See “IRS Requirements” on the reverse side of the *Loan Application*.)

IMPORTANT NOTICE: If you are not satisfied with the loan amount or the repayment schedule when you receive your check, you may cancel the loan by returning the original uncashed loan check.

When a loan check is returned, the funds are deposited back into your pension account and will be available when the next quarter is posted.

**BY CASHING THE LOAN CHECK YOU ARE AGREEING TO THE LOAN AMOUNT
AND THE REPAYMENT SCHEDULE AS OUTLINED IN THE TERMS AND CONDITIONS
ON THE REVERSE SIDE OF THE LOAN APPLICATION.**

SIGN THE APPLICATION

Prior to signing your application, be sure to read the “Loan Provisions” and “IRS Requirements” on the back page. **Unsigned applications will not be processed.**

EMPLOYER CERTIFICATION

The bottom portion of the application is to be filled out by your employer **ONLY** if you have been out of work without pay for two weeks or more within the last six months. If you are unsure, please contact your Judges Benefits Aides.

State of New Jersey — Department of the Treasury

Division of Pensions and Benefits

PO Box 295, Trenton, NJ 08625-0295

JUDICIAL RETIREMENT SYSTEM
LOAN APPLICATION



THIS LOAN APPLICATION IS ONLY FOR USE BY JUDGES OF THE NEW JERSEY SUPERIOR, APPELLATE, AND SUPREME COURTS

Please print all information.

- 1. Membership # or Social Security #
2. Name (First, Middle Initial, Last)
3. Mailing Address (Street) (Apt. No.) (City, State, ZIP Code) If new address, check here
4. Date of Birth
5. Daytime Telephone No. ()

STEP 1 — 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 call the Judicial Retirement System Administrator at (609) 292-5175.

STEP 2 — 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) biweekly: \$
Payment amount cannot exceed 25% of your base salary.

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 (see reverse side). I certify that I am an actively contributing member and currently receiving a salary.

JUDICIARY - 750

Signature of Member (Required)

Date

If you have been out of work without pay within the last six months, please have your EMPLOYER certify the following information before submitting your loan application.

Date Member Returned to Payroll / / Current Salary \$

Amount of Loan Contributions submitted since return: \$

Signature of Certifying Officer:

LOAN PROVISIONS

- To be eligible, you must be an actively contributing member of the Judicial Retirement System.
- To be eligible, you must have three years of contributing membership POSTED to your account. (This usually occurs three years and two months after enrollment.)
- Loan balances cannot be more than one-half of the contributions you have posted to your account, cannot exceed a maximum of \$50,000, and must be repaid within five years.
- **You are permitted no more than two loans in a calendar year.**
- The interest rate is the prevailing rate set annually by the Treasurer, and is calculated on the the unpaid balance of the loan. A nonrefundable administrative fee may also deducted from the requested loan amount. For the current interest rate and any administrative fee go to: www.state.nj.us/treasury/pensions/loans_home.htm
- If you retire with an outstanding loan balance, you have the option to pay off the outstanding loan balance **in its entirety** or to repay the loan through deductions from your retirement allowance until the balance of the loan **together with interest** is repaid. Payments will be the monthly equivalent of the amount deducted from your compensation immediately before retirement.
- If you die before the outstanding loan balance with interest has been recovered, the remaining balance will be repaid from the proceeds of any other benefit payable to your beneficiary(ies) including group life insurance or monthly payments.

INTERNAL REVENUE SERVICE (IRS) REQUIREMENTS

IRS regulations require that loans must be repaid within a period not to exceed five years.

The IRS further requires that 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 taken after January 1, 2004. If a loan cannot be repaid within the five-year maximum when paid at the maximum allowable loan deduction of 25 percent of your base salary, your loan may be denied or you may be issued a loan in a smaller amount than you requested.

IRS regulations also require members to make timely payments toward outstanding loan balances. You will be notified* after nonpayment (zero contributions) toward the balance of your 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;
- Take a taxable distribution; or
- If you returned to employment, repay through employer payroll deductions.

Failure to repay the loan as scheduled may result in the unpaid loan balance being declared a taxable distribution which will be reported to the IRS. The Division of Pensions and Benefits will send you a *Form 1099-R* for tax filing purposes in January of the following year. You will be required to include the portion of the loan representing before-tax contribution as income on your federal return. In addition, if you are under age 59½, you will be required to pay an additional ten percent tax for taking an early pension distribution.

A "taxable distribution" cannot be cancelled by resuming loan payments or repaying the loan in full prior to the end of the tax year in which the taxable distribution occurs. Please note that unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or another qualified retirement plan. Members who take a loan and subsequently fail to remit loan payments may also be subject to additional IRS penalties. Additionally, active and vested members who have a taxable distribution are required to repay the balance of the loan to the retirement system.

Since these are federal regulations, neither the Boards of Trustees nor the Division of Pensions and Benefits has the authority to waive or delay the application of these provisions.

**You must return your 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.*