



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
P. O. Box 295

TRENTON, NEW JERSEY 08625-0295
Telephone (609) 292-7524 / Facsimile (609) 777-1779
TRS 711 (609) 292-6683
www.nj.gov/treasury/pensions

PHILIP D. MURPHY
Governor

TAHESHA L. WAY
Lt. Governor

ELIZABETH MAHER MUOIO
State Treasurer

SONIA RIVERA-PEREZ
Acting Director

January 2026

TO: Certifying Officers, All Funds

FROM: New Jersey Division of Pensions & Benefits (NJDPB)

SUBJECT: Loan Recertification Annual Reminder

This letter serves as an annual reminder to Certifying Officers to regularly review your records of employees who have recently returned from a leave of absence with an outstanding pension loan balance.

The Internal Revenue Code, IRC 72(p)(2), requires that pension loan balances be repaid within five (5) years of the original loan date, or else the principal loan balance, plus interest, must be reported to the Internal Revenue Service (IRS) as a taxable distribution.

Members with an outstanding loan balance who have been off payroll for three months are notified by the NJDPB of nonpayment and offered the option of loan repayments through monthly personal billing in order to avoid the loan being deemed a taxable distribution. However, this is the only notification that the member receives. It is important that the member understand the ramifications of the loan becoming a taxable distribution if they do not continue loan repayments as soon as possible. If the loan balance plus interest is reported to the IRS, the member is still required to repay the remaining loan plus interest. The remaining total loan will be recertified by the NJDPB. The member will not be eligible to take any new pension loans until the deemed distribution amount is repaid in full.

EMPLOYER RESPONSIBILITIES

If a member is off payroll and misses one or more scheduled loan deduction(s), the outstanding loan must be revalued and additional interest charged. To protect a member who has been on a leave of absence from having a loan become a taxable distribution, employers should submit a *Loan Recertification Request* form to the NJDPB as soon as the member returns from a leave of absence. The form must be submitted electronically via the Employer Pensions and Benefits Information Connection (EPIC). After submitting the form through EPIC, you will receive confirmation of receipt.

When notified that a member has returned to work, the NJDPB will adjust the loan payments to comply with the IRS code, and you will receive a *Certification of Payroll Deductions* indicating the new payment amount.

FOR ADDITIONAL INFORMATION

For additional loan information, including IRS requirements, refer to the Loans section of the *Employer's Pensions and Benefits Administration Manual (EPBAM)* and to the *Loans Fact Sheet*.