

ASSEMBLY, No. 2285

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 16, 1996

By Assemblymen COHEN and BATEMAN

1 AN ACT permitting pension loans in the Judicial Retirement System
2 and supplementing P.L.1973, c.140 (C.43:6A-1 et seq.).

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4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

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7 1. Notwithstanding any provision to the contrary, any member who
8 has at least three years of service to the member's credit for which the
9 member has contributed as a member may borrow from the retirement
10 system, an amount equal to not more than 50% of the amount of the
11 member's accumulated deductions, but not less than \$50.00; provided,
12 that the amount so borrowed, together with interest thereon, can be
13 repaid by additional deductions from compensation, not in excess of
14 25% of the member's compensation, made at the same time
15 compensation is paid to the member. The amount so borrowed,
16 together with interest at the rate of 4% per annum on any unpaid
17 balance thereof, shall be repaid to the retirement system in equal
18 installments by deduction from the compensation of the member at the
19 time the compensation is paid or in such lump sum amount to repay
20 the balance of the loan but such installments shall be at least equal to
21 the member's rate of contribution to the retirement system and at least
22 sufficient to repay the amount borrowed with interest thereon. Not
23 more than two loans may be granted to any member in any calendar
24 year. Notwithstanding any other law affecting the salary or
25 compensation of any person or persons to whom this act applies or
26 shall apply, the additional deductions required to repay the loan shall
27 be made.

28 Loans shall be made to a member from the member's accumulated
29 deductions. The interest earned on such loans shall be treated in the
30 same manner as interest earned from investments of the retirement
31 system.

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33 2. In the case of any member who retires, other than on a disability
34 pension or where it is shown to the satisfaction of the Supreme Court
35 and the Governor that the retirement is necessitated by medical illness
36 or disability of the member, without repaying the full amount so
37 borrowed, the Division of Pensions and Benefits shall retain the

1 retirement benefit payments, excluding authorized deductions of such
2 member, as repayment of the loan until the aggregate amount of such
3 retirement benefit payments is equal to the outstanding balance of the
4 loan, together with the interest at the rate of 4% per annum on the
5 amount so borrowed, at which time the retired member shall receive
6 the member's retirement benefit payments. In the case of a member
7 who retires on a disability pension or because of medical illness or
8 disability without paying the full amount borrowed, the division shall
9 deduct from the retirement benefit payments the same monthly amount
10 which was deducted from the compensation of the member
11 immediately preceding retirement until the balance of the amount
12 borrowed together with the interest at the rate of 4% per annum is
13 repaid. In the case of a pensioner who dies before the outstanding
14 balance of the loan and interest thereon has been recovered, the
15 remaining balance shall be repaid from the proceeds of any other
16 benefits payable on the account of the pensioner either in the form of
17 monthly payments due to the pensioner's beneficiaries or in the form
18 of lump sum payments payable for pension or group life insurance.

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20 3. This act shall take effect immediately.

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STATEMENT

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25 This bill permits members of the Judicial Retirement System to
26 borrow against their accumulated deductions in the retirement system.
27 Any member who has at least three years of service in the retirement
28 system may borrow up to, but not more, than 50 percent of the
29 amount of the accumulated deductions. The amount borrowed,
30 together with an interest rate of 4 percent per year on the unpaid
31 balance of the loan, will be paid back to the system in equal
32 installments deducted from compensation.

33 The bill provides for the repayment of the loan in the case of a
34 member or pensioner who retires or dies before the outstanding
35 balance of the loan and interest has been recovered.

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40 Permits members of the Judicial Retirement System to borrow against
41 their accumulated deductions in the retirement system.