SENATE, No. 505

STATE OF NEW JERSEY

INTRODUCED JANUARY 29, 1996

By Senator BASSANO

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

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

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

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

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

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

3. This act shall take effect immediately.

STATEMENT

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

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

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