

43:15A-34 and 43:15A-34.1

LEGISLATIVE HISTORY CHECKLIST

NJSA 43:15A-34 and 43:15A-34.1 (PERS loans--member may borrow up to age 65)
LAWS 1981 CHAPTER 55
Bill No. S27
Sponsor(s) Cafiero
Date Introduced Pre-filed
Committee: Assembly State Govt., Federal & Interstate Relations & Veterans Affairs
Senate State Govt., Federal & Interstate Relations & Veterans Affairs

Amended during passage Yes ~~NO~~ Amendments denoted by asterisks
according to Governor's recommendations
Date of Passage: Assembly Oct. 6, 1980 Re-enacted 2-19-81
Senate Feb. 11, 1980 Re-enacted 1-26-81
Date of approval March 3, 1981

Following statements are attached if available:

Sponsor statement	Yes	NO (Below)
Committee Statement: Assembly	Yes	NO
Senate	Yes	NO
Fiscal Note	YES	No
Veto Message	Yes	NO
Message on signing	Yes	NO
Following were printed:		
Reports	Yes	NO
Hearings	YES	No

Sponsor's statement:

This bill would amend the Public Employees' Retirement System Act to authorize a member to borrow from the retirement system, on the basis of his accumulated deductions, until he reaches 65 years of age.

(over)

6/28/81

LEGISLATIVE HISTORY
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Earlier Proposed Legislation:

S.149 (1978-79)
S.3420 (1976-77)

For background and recommendation for legislation:

974.90 New Jersey. Office of Fiscal Affairs.
P418 New Jersey's contributory public
1976 employee pension programs. Trenton, 1976.
(See especially recommendation 2-j--p.103-104 and pp.203-210)

55 3-3-81 81

[THIRD OFFICIAL COPY REPRINT]

SENATE, No. 27

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1980 SESSION

By Senator CAFIERO

AN ACT to amend *and supplement* the "Public Employees' Retirement System Act," approved June 28, 1954 (P. L. 1954, c. 84), as said short title was amended by P. L. 1971, c. 213.

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

1 1. Section 34 of P. L. 1954, c. 84 (C. 43:15A-34) is amended to
2 read as follows:

3 34. Any member who has at least 3 years of service to his credit
4 for which he has contributed as a member may borrow from the
5 retirement system, an amount equal to not more than 50% of the
6 amount of his accumulated deductions, but not less than \$50.00;
7 provided, that the amount so borrowed, together with interest
8 thereon, can be repaid by additional deductions from compensation,
9 not in excess of 25% of the member's compensation, made at the
10 same time compensation is paid to the member***[**, but not after the
11 attainment of age **[60] 65***. The amount so borrowed, together
12 with interest at the rate of 4% per annum on any unpaid balance
13 thereof, shall be repaid to the retirement system in equal install-
14 ments by deduction from the compensation of the member at the
15 time the compensation is paid or in such lump sum amount to repay
16 the balance of the loan but such installments shall be at least equal
17 to the member's rate of contribution to the retirement system and at
18 least sufficient to repay the amount borrowed with interest thereon
19 ***[**by the time the member attains age **[60] 65***. Not more than two
20 loans may be granted to any member in any calendar year. Not-
21 withstanding any other law affecting the salary or compensation
22 of any person or persons to whom this act applies or shall apply,
23 the additional deductions required to repay the loan shall be made.

24 ***[**Any unpaid balance of a loan at the time any benefit may be-

EXPLANATION—Matter enclosed in bold-faced brackets **[**thus**]** in the above bill is not enacted and is intended to be omitted in the law.

25 come payable, shall be deducted from the benefit otherwise pay-
 25A able.]*

26 Loans shall be made to a member from his accumulated deduction
 27 The interest earned on such loans shall be treated in the same
 28 manner as interest earned from investments of the retirement
 29 system.

1 *2. (New section) In the case of any member who retires without
 2 repaying the full amount so borrowed, the Division of Pensions
 3 shall retain the ***[gross]*** retirement benefit payments***,
 4 excluding authorized deductions*** of such member as repay-
 4A ment of the loan until the aggregate amount of such ***[gross]***
 5 retirement benefit payments **[are]** **is** equal to the outstand-
 6 ing balance of the loan, together with the interest at the rate of 4%
 7 per annum on the amount so borrowed, at which time the retired
 8 member shall receive his retirement benefit payments.* **In the
 9 case of a pensioner who dies before the outstanding balance of the
 10 loan and interest thereon has been recovered, the remaining balance
 11 shall be repaid from the proceeds of any other benefits payable on
 12 the account of the pensioner either in the form of monthly payments
 13 due to his beneficiaries or in the form of lump sum payments pay-
 14 able for pension or group life insurance.**

1 *2.]* *3.* This act shall take effect immediately.

ASSEMBLY STATE GOVERNMENT, FEDERAL AND
INTERSTATE RELATIONS AND VETERANS
AFFAIRS COMMITTEE

STATEMENT TO
SENATE, No. 27

[OFFICIAL COPY REPRINT]

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 29, 1980

This bill removes the present statutory age limit that prohibits a member of the Public Employees' Retirement System from borrowing against his accumulated deductions after age 60.

Under this bill, a member of PERS could borrow against his accumulated deductions at *any* time prior to his retirement, no matter what his age. If he retires before his loan (plus 4% interest per annum) is repaid, his monthly gross retirement benefits will be retained by the Division of Pensions until there has been full repayment. If a retiree dies before his loan is repaid, the remaining balance will be repaid from other benefits payable to the beneficiaries, such as the lump sum life insurance provided under the pension program.

The Division of Pensions initially expressed concern that the extension of borrowing privileges beyond 60, the age at which a PERS member may retire, would result in a large number of loans being taken on the eve of retirement and, consequently, in the creation of collection problems if retired members either refused or were unable to repay the loans. To alleviate this concern, the Senate State Government Committee amended the original bill to provide for the withholding of retirement benefits until a loan is repaid, and the Assembly State Government Committee further amended the bill to address the situation of a retiree who dies before a loan is fully repaid.

As originally drafted, this bill extended the age limit from 60 to 65. However, the Division of Pensions noted that a specific reference to age with respect to borrowing is no longer necessary, and consequently, the Senate State Government amended the bill accordingly.

SENATE STATE GOVERNMENT, FEDERAL AND
INTERSTATE RELATIONS AND VETERANS AFFAIRS
COMMITTEE

STATEMENT TO
SENATE, No. 27
with Senate committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 29, 1980

The purpose of this bill is to remove the present statutory age limit that prohibits a member of the Public Employees' Retirement System from borrowing against his accumulated deductions after age 60. As originally drafted, the bill extended the age limit from 60, which is the age at which any member of PERS may retire, to age 65.

COMMITTEE AMENDMENTS

It has been the continuing concern of the Division of Pensions that the extension of the borrowing privilege to age 65 would result in a large number of such loans on the eve of retirement which, in turn, would create collection problems when retired members either refused, or were unable, to repay such loans. The present practice of the division in such cases is to make an actuarial reduction in the amount of the benefits over the average life of the membership. This actuarial reduction, however, does not completely offset the loss to the system of interest earnings on the funds withdrawn by the member.

Working with the Division of Pensions, and with the sponsor's approval, the committee has amended the bill to provide more stringent penalties for default on pension loans. The amendatory language provides for the immediate withholding of the retirement benefit payments to the retired member until the amount of such payments are equal to the amount of the outstanding balance of the loan.

The Division of Pensions has noted that since the bill removes the borrowing threshold of age 60 a specific reference to age is no longer necessary and the committee has amended the bill accordingly.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

January 13, 1981

SENATE BILL NO. 27 (2nd OCR)

To the Senate:

In accordance with Article V, Section I, Paragraph 14(b) of the Constitution, I herewith return Senate Bill No. 27 (2nd OCR) with my recommendations for amendment.

This bill would remove the present statutory age limit that prohibits a member of the Public Employees' Retirement System (PERS) from borrowing against his accumulated deductions after age 60. Under this bill, a member of PERS could borrow against his accumulated deductions at any time prior to his retirement, no matter what his age. If he retires before his loan (plus 4% interest per annum) is repaid, his monthly "gross retirement benefits" would be retained by the Division of Pensions until there has been full repayment. If a retiree dies before his loan is repaid, the remaining balance will be repaid from other benefits payable to the beneficiaries, such as lump sum life insurance provided under the pension program.

I support the intent of this legislation. The financial burdens on our senior citizens are severe. A measure such as this which would permit PERS members between the ages of 60 and 65 to borrow at any time up to retirement should help ease their situation.

Unfortunately, the bill as passed has what I would characterize as a "technical" problem. By directing the Division of Pensions to retain the gross retirement benefit payments of a retiree with an outstanding loan, the bill would cause the involuntary termination of health benefits under the State Health Benefits Program in many cases. The premiums for this insurance program are now deducted from the retirement benefit payments as are anticipated tax payments.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

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Accordingly, I am returning Senate Bill No. 27 (2nd OCR)
and recommend the following amendment:

Page 2, Section 2, Line 3: Delete "gross" and after
"payments" insert ", excluding authorized deductions"

Page 2, Section 2, Line 4: Delete "gross"

Respectfully,

/s/ Brendan Byrne

GOVERNOR

[seal]

Attest:

/s/ Harold L. Hodes

Chief of Staff, Secretary

FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

MARCH 4, 1981

FOR FURTHER INFORMATION

KATHRYN FORSYTH

Governor Brendan Byrne has signed the following bills:

S-27, sponsored by Senator James Cafiero (R-Cumberland) which removes the statutory age limit that prohibits a member of the Public Employees Retirement System (PERS) from borrowing against his accumulated deductions after age 60.

Under this bill, a member of PERS could borrow against his accumulated deductions at any time prior to his retirement, no matter what his age. If he retires before his loan is repaid, his monthly gross retirement benefits would be retained by the Division of Pensions until there is full repayment. If a retiree dies before his loan is repaid, the remaining balance will be repaid from other benefits payable to the beneficiaries.

Governor Byrne conditionally vetoed this bill in January to correct a technical deficiency. The Legislature concurred with his recommendations.

S-789, sponsored by Senator Wayne Dumont (R-Warren) which increases state transportation aid to non-profit private schools.

Currently, approximately 96,000 students in non-profit private schools receive state transportation aid at a total cost of approximately \$20 million. Approximately \$7.5 million of that money is paid directly to parents.

This bill would increase the aid to districts which bus the private school students in separate bus routes. (Many districts mingle public school pupils and non-public school pupils in the bus routes.) This would increase the number of pupils receiving aid by about 35,000.

NOTICE: THIS MATERIAL MAY BE PROTECTED BY