

43:3C-4 and 43:3C-5

LEGISLATIVE HISTORY CHECKLIST

NJSA 43:3C-4 and 43:3C-5 (Pensions--State-administered--extend direct deposit of checks to various financial institutions)  
LAWS 1981 CHAPTER 213

Bill No. S1637

Sponsor(s) Herbert

Date Introduced Dec. 11, 1980

Committee: Assembly State Govt., Federal & Interstate Relations & Veterans Affairs

Senate State Govt., Federal & Interstate Relations & Veterans Affairs

Amended during passage  Yes  No

Date of Passage: Assembly May 14, 1981

Senate Feb. 9, 1981

Date of approval July 20, 1981

Following statements are attached if available:

Sponsor statement  Yes  No

Committee Statement: Assembly  Yes  No

Senate  Yes  No

Fiscal Note  Yes  No

Veto Message  Yes  No

Message on signing Yes  Yes  No

Following were printed:

Reports  Yes  No

Hearings  Yes  No

S3080 (mentioned in Senate committee statement)--attached

N.J. Administrative Code rules (referred to in statements):  
N.J.A.C. 17:1.15(c)

Federal law allowing direct deposits: P.L. 92-366, 31 U.S.C.A.492

6/22/81

SENATE, No. 1637

STATE OF NEW JERSEY

INTRODUCED DECEMBER 11, 1980

By Senators HERBERT and DiFRANCESCO

Referred to Committee on State Government, Federal and  
Interstate Relations and Veterans Affairs

AN ACT concerning the direct deposit of retirement allowances.

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

1 1. As used in this act, "depository institution" means a banking  
2 institution as defined in section 1 of "The Banking Act of 1948,"  
3 P. L. 1948, c. 67 (C. 17:9A-1); an association as defined in section 5  
4 of the "Savings and Loan Act (1963)," P. L. 1963, c. 144 (C.  
5 17:12B-5); an insured Federal credit union or an insured State  
6 chartered credit union as defined in section 1 of P. L. 1938, c. 293  
7 (C. 17:13-26).

1 2. Any law, rule or regulation to the contrary notwithstanding,  
2 the Division of Pensions shall honor an agreement executed between  
3 a retirant or beneficiary of any retirement system established pur-  
4 suant to the laws of this State and a depository institution for the  
5 direct deposit in the depository institution of the monthly payment  
6 of the retirement allowance of the retirant or beneficiary; provided,  
7 however, that the depository institution assumes the full respon-  
8 sibility for the receipt and collection of the monthly payment, and,  
9 provided further that the agreement is consummated pursuant to  
10 such rules and regulations as shall be promulgated by the Division  
11 of Pensions.

1 3. This act shall take effect immediately.

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STATEMENT

The purpose of this bill is to increase the number of financial institutions which are authorized for direct deposit of pension checks for retirants and beneficiaries of all State-administered retirement systems. Direct deposit of State pension checks is already authorized under certain conditions pursuant to the rules of the New Jersey Administrative Code. This bill would permit savings

and loan associations, and insured credit unions, as well as banks, to be eligible, under certain conditions, to receive State pension checks by direct deposit.

Federal law already permits the direct deposit of Federal retirement benefits and salary checks, as well as Social Security benefit checks in savings and loan associations, credit unions and banks.

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SENATE, No. 1637

STATE OF NEW JERSEY

INTRODUCED DECEMBER 11, 1980

By Senators HERBERT and DiFRANCESCO

Referred to Committee on State Government, Federal and  
Interstate Relations and Veterans Affairs

AN ACT concerning the direct deposit of retirement allowances.

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3 P. L. 1948, c. 67 (C. 17:9A-1); an association as defined in section 5  
4 of the "Savings and Loan Act (1963)," P. L. 1963, c. 144 (C.  
5 17:12B-5); an insured Federal credit union or an insured State  
6 chartered credit union as defined in section 1 of P. L. 1938, c. 293  
7 (C. 17:13-26).

1 2. Any law, rule or regulation to the contrary notwithstanding,  
2 the Division of Pensions shall honor an agreement executed between  
3 a retirant or beneficiary of any retirement system established pur-  
4 suant to the laws of this State and a depository institution for the  
5 direct deposit in the depository institution of the monthly payment  
6 of the retirement allowance of the retirant or beneficiary; provided,  
7 however, that the depository institution assumes the full respon-  
8 sibility for the receipt and collection of the monthly payment, and,  
9 provided further that the agreement is consummated pursuant to  
10 such rules and regulations as shall be promulgated by the Division  
11 of Pensions.

1 3. This act shall take effect immediately.

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STATEMENT

The purpose of this bill is to increase the number of financial institutions which are authorized for direct deposit of pension checks for retirants and beneficiaries of all State-administered retirement systems. Direct deposit of State pension checks is already authorized under certain conditions pursuant to the rules of the New Jersey Administrative Code. This bill would permit savings

and loan associations, and insured credit unions, as well as banks, to be eligible, under certain conditions, to receive State pension checks by direct deposit.

Federal law already permits the direct deposit of Federal retirement benefits and salary checks, as well as Social Security benefit checks in savings and loan associations, credit unions and banks.

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

STATEMENT TO

**SENATE, No. 1637**

**STATE OF NEW JERSEY**

DATED: JANUARY 26, 1981

The purpose of this bill is to increase the number of financial institutions which are authorized to receive the direct deposit of pension checks for retirants and beneficiaries of State-administered retirement systems.

Direct deposit of State pension checks in banks is already authorized pursuant to the New Jersey Administrative Code. Credit unions are not presently authorized for such direct deposit of retirement checks. This bill would designate several types of "depository institutions" as authorized to receive checks on direct deposit. Insured Federal credit unions and insured State-chartered credit unions, as well as banks and savings and loan associations, are the depository institutions given this authority by the bill.

Federal law already permits the direct deposit of Federal retirement and salary checks, as well as Social Security checks, in credit unions, savings and loan associations and banks.

This bill is similar to S-3080, which was introduced in 1979. Senate Bill No. 3080 was opposed by the Division of Pensions, and vetoed by the Governor, on the grounds that while the statutes clearly set forth the liability of banks for the deposit of checks, "No similar protection is afforded against defaulting credit unions."

In answer to this objection, this bill, in contrast to S-3080, requires that both Federal and State credit unions be insured in order to qualify as a "depository institution" authorized to receive checks by direct deposit.

The Division of Pensions opposes this version of the bill even with the proviso that only insured credit unions would qualify as "depository institutions." The director of the division, William Joseph, believes that insurance would not provide sufficient protection should a credit union default.

FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

JULY 20, 1981

KATHRYN FORSYTH

DAVE DE MAIO

Governor Brendan Byrne today signed the following bills into law:

S-1215, sponsored by Senator Wynona Lipman (D-Essex), eliminates the age limit on loans to members of the Teachers' Pension and Annuity Fund from their accumulated deductions. The current age limit is 60.

Under the bill, a member can borrow at any time up until his retirement. If the member retires before the loan is repaid, the Division on Pensions will retain the members monthly gross retirement benefits until there has been full repayment.

If the member dies before full repayment has been made, the outstanding balance will be paid from other benefits payable to the beneficiaries, such as lump sum life insurance provided under the pension program.

S-1637, sponsored by Senator Francis X. Herbert (D-Bergen) which permits the Division of Pensions to directly deposit a pension fund member's check in an insured credit union of the member's choice.

Currently, checks may only be directly deposited in banks or savings and loan institutions.

State and federally chartered credit unions are currently empowered under federal law to receive deposits of Social Security and federal retirement and salary checks.

S-3149, sponsored by Senator Frank Rodgers (D-Hudson), which repeals the six percent interest rate ceiling on obligations governed by the Local Bond Law.

A-911, sponsored by Assemblyman James Hurley (R-Cumberland), which exempts the sale or repair of all vessels primarily engaged in commercial fishing or commercial party boat sport fishing from the sales tax.

Under current law, the sale and repair of all commercial vessels over 50 tons in exempt.

The bill is retroactive to March 10, 1970.

[OFFICIAL COPY REPRINT]  
SENATE, No. 3080

STATE OF NEW JERSEY

INTRODUCED JANUARY 30, 1979

By Senators HERBERT and SKEVIN

Referred to Committee on State Government, Federal and  
Interstate Relations and Veterans Affairs

AN ACT concerning the direct deposit of retirement allowances  
and supplementing Title 43 of the Revised Statutes.

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

1 \*1. As used in this act, "depository institution" means a bank as  
2 defined in section 1 of "The Banking Act of 1948," P. L. 1948,  
3 c. 67 (C. 17:9A-1), and a national bank; an association as defined  
4 in section 5 of "The Savings and Loan Act (1963)," P. L. 1963,  
5 c. 144 (C. 17:12B-5), and a credit union as defined in section 1 of  
6 "The Credit Union Law," P. L. 1938, c. 293 (C. 17:13-26).\*

1 \***[1.]**\* \*2.\* Any law, rule or regulation to the contrary notwith-  
2 standing, the Division of Pensions shall honor an agreement  
3 executed between a retirant or beneficiary of any retirement system  
4 established pursuant to the laws of this State and a \***[bank or**  
5 **credit union]**\* *depository institution*\* for the direct deposit in  
6 such \***[bank or credit union]**\* *depository institution*\* of the  
7 monthly check in payment of the retirement allowance of said  
8 retirant or beneficiary; provided, however, that the \***[bank or**  
9 **credit union]**\* *depository institution*\* assumes the full responsi-  
10 bility for the receipt and collection of said monthly check, and,  
11 provided further, however, that said agreement is consummated  
12 pursuant to such rules and regulations as shall be promulgated by  
13 the Division of Pensions and on such forms as shall be provided  
14 by the division for this purpose.

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

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



SENATE, No. 3080

STATE OF NEW JERSEY

INTRODUCED JANUARY 30, 1979

By Senators HERBERT and SKEVIN

Referred to Committee on State Government, Federal and  
Interstate Relations and Veterans Affairs

AN ACT concerning the direct deposit of retirement allowances  
and supplementing Title 43 of the Revised Statutes.

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

1 1. Any law, rule or regulation to the contrary notwithstanding,  
2 the Division of Pensions shall honor an agreement executed be-  
3 tween a retirant or beneficiary of any retirement system established  
4 pursuant to the laws of this State and a bank or credit union for  
5 the direct deposit in such bank or credit union of the monthly  
6 check in payment of the retirement allowance of said retirant or  
6A beneficiary; provided, however, that the bank or credit union  
7 assumes the full responsibility for the receipt and collection of  
8 said monthly check, and, provided further, however, that said  
9 agreement is consummated pursuant to such rules and regulations  
10 as shall be promulgated by the Division of Pensions and on such  
11 forms as shall be provided by the division for this purpose.

1 2. This act shall take effect immediately.

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STATEMENT

The purpose of this bill is to provide a statutory base for the direct deposit of pension checks in banks and credit unions for retirants and beneficiaries of all State administered retirement systems. Federal law already permits the direct deposit of Federal retirement benefits and salary checks as well as social security benefit checks in credit unions as well as in banks.

Direct deposit of State pension checks in banks is already authorized under certain conditions pursuant to the New Jersey Administrative Code. This bill would provide a base in the law for direct deposit in both banks and credit unions.

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

STATEMENT TO

**SENATE, No. 3080**

[OFFICIAL COPY REPRINT]

with Assembly committee amendments

**STATE OF NEW JERSEY**

DATED: DECEMBER 17, 1979

SUMMARY OF THE BILL AS AMENDED

This bill, as amended, provides for the direct deposit of pension checks for retirants and beneficiaries of all State-administered retirement systems could be made in a national bank, a State bank, a savings bank, a savings and loan association, a Federal credit union, or a State credit union.

At present, direct deposit of State pension checks in banks is authorized under certain conditions pursuant to rules and regulations of the Division of Pensions. This bill provides a statutory base for direct deposits in any of the institutions listed above.

ASSEMBLY COMMITTEE AMENDMENTS

At the request of the sponsor, the committee amended the bill to include savings banks and Federal credit unions among the "depository institutions" which could receive the direct deposit of State pension checks.

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

STATEMENT TO

**SENATE, No. 3080**

with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 3, 1979

The purpose of this bill is to increase the number of financial institutions which are authorized for the direct deposit of pension checks for retirants and beneficiaries of all State-administered retirement systems. Direct deposit of State pension checks in banks is already authorized under certain conditions pursuant to the rules in the New Jersey Administrative Code.

As originally drafted the bill included credit unions as direct deposit institutions. The committee amended the bill to add a definitions section which defines savings and loan associations, banks and credit unions as "depository institutions" each of which is eligible to receive State pension checks on direct deposit. This will provide a statutory base to permit all three types of institutions to receive direct deposits of State pension checks. Federal law already permits the direct deposit of Federal retirement benefits and salary checks, as well as social security benefit checks in savings and loan associations, credit unions and banks.

The bill is supported by representatives of the credit unions, by the New Jersey Savings League and by the State Department of Banking.

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

SENATE BILL NO. 3080 (2nd OCR)

STATEMENT

I am filing Senate Bill No. 3080 (2nd OCR) in the State Library without my approval.

Under the provisions of Article V, Section I, Paragraph 14(b) of the Constitution, this bill does not become a law if it is not signed within the 45-day period, Sundays excepted, following the adjournment sine die of the Legislature. In these circumstances there is no provision for a veto, but I deem it to be in the public interest to state my reasons for deciding not to sign the bill.

This bill would provide for the direct deposit of State pension checks to banks, savings and loan institutions or credit unions.

Direct deposit of checks into banks or savings and loan institutions presents no problems, but deposit into credit unions does. The Attorney General has held in an opinion dated June 2, 1978 that while statutes governing banks protect the fiduciary relationship that the Division of Pensions has with respect to the disbursement of pension checks (i.e., the liability of all banks is clearly set forth in the statute), no similar protection is afforded against defaulting credit unions. Thus, if the credit unions receive such checks, the pension systems would be divested of their statutory rights and defenses and would, therefore, violate the fiduciary obligations of the various boards and commission.

Although the future administrative costs associated with this legislation would most likely be minimal, there could be significant cost if a credit union fails and the retirement systems are subject to suit because of the loss of the interests of the pensioner or his beneficiaries.

Accordingly, I will file Senate Bill No. 3080 (2nd OCR)  
without my approval