

18A:66-51

August 25, 1969

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Legislative Notes on R.S. 18A:66-51
(Group insurance under pension system - assign. rights under)

Similar bills were:

1968 - S949

Introduced Nov. 15 by McDermott, LaCorte & Rinaldo.
Died in Senate.
Bill had statement. (Copy enclosed)

L. 1969, Chapter 93 - S223

Introduced Jan. 14, 1969 by McDermott, LaCorte & Rinaldo.
Bill had statement. (Copy enclosed)
Not amended during passage.

No hearings or reports were located.

Under H.J. - Insurance, no clippings were located.

For periodical article discussing this legislation, see:

Legislative Notes on R.S. 17:34-32.3.

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SENATE, No. 233

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1969 SESSION

By Senators McDERMOTT, LACORTE and RINALDO

AN ACT confirming and clarifying the rights of a person covered by a group insurance policy issued in connection with membership in certain public pension and retirement systems to execute a gift assignment of all of his rights and benefits under the policy and amending N. J. S. 18A:66-51, P. L. 1954, c. 84, s. 53 (C. 43:15A-53), P. L. 1944, c. 255, c. 17 (C. 43:16A-17), and P. L. 1965, c. 89, s. 45 (C. 53:5A-45).

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

1-3 1. N. J. S. 18A:66-51 is amended to read as follows:

4 18A:66-51. The right of a person to a pension, an annuity, or
5 a retirement allowance, to the return of contributions, any benefit
6 or right accrued or accruing to a person under the provisions of
7 this article, and the moneys in the various funds created under
8 this article, shall be exempt from any State or municipal tax and
9 from levy and sale, garnishment, attachment or any other process
10 arising out of any State or Federal court, and, except *as hereafter*
11 *in this section and as in this article otherwise provided*, shall be
12 unassignable.

13 *Nothing in this section shall prohibit any person insured under*
14 *a group insurance policy, pursuant to an arrangement among the*
15 *insured, the group policyholder and the insurer, from making to*
16 *any person other than his employer, a gift assignment of the rights*
17 *and benefits conferred on him by any provision of such policy or*
18 *by law including specifically but not by way of limitation the right*
19 *to exercise the conversion privilege and the right to name a bene-*
20 *ficiary. Any such assignment, whether made before or after the*
21 *effective date of this act, shall entitle the insurer to deal with the*
22 *assignee as the owner of all rights and benefits conferred on the*
23 *insured under the policy in accordance with the terms of the assign-*
24 *ment.*

1 2. Section 53 of P. L. 1954, c. 84 (C. 43:15A-53) is amended to
2 read as follows:

3 53. The right of a person to a pension, an annuity, or a retire-
4 ment allowance, to the return of contributions, any benefit or right
5 accrued or accruing to a person under the provisions of this act
6 and the moneys in the various funds created under this act, shall
7 be exempt from any State or municipal tax and from levy and
8 sale, garnishment, attachment or any other process arising out of
9 any State or Federal court and, except as *in this section and* in
10 this act otherwise provided, shall be unassignable.

11 *Nothing in this section shall prohibit any person insured under*
12 *a group insurance policy, pursuant to an arrangement among the*
13 *insured, the group policyholder and the insurer, from making to*
14 *any person other than his employer, a gift assignment of the rights*
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16 *by law including specifically but not by way of limitation the right*
17 *to exercise the conversion privilege and the right to name a bene-*
18 *ficiary. Any such assignment, whether made before or after the*
19 *effective date of this act, shall entitle the insurer to deal with the*
20 *assignee as the owner of all rights and benefits conferred on the*
21 *insured under the policy in accordance with the terms of the*
22 *assignment.*

1 3. Section 17 of P. L. 1944, c. 255 (C. 43:16A-17) is amended to
2 read as follows:

3 17. The right of a person to a pension, an annuity, or a retirement
4 allowance, to the return of contributions, any benefit or right ac-
5 crued or accruing to a person under the provisions of this act and
6 the moneys in the various funds created under this act, shall be
7 exempt from any State or municipal tax and from levy and sale,
8 garnishment, attachment or any other process, and except as *here-*
9 *inafter in this section and* as in this act otherwise provided, shall be
10 unassignable.

11 *Nothing in this section shall prohibit any person insured under*
12 *a group insurance policy, pursuant to an arrangement among the*
13 *insured, the group policyholder and the insurer, from making to*
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19 *effective date of this act, shall entitle the insurer to deal with the*
20 *assignee as the owner of all rights and benefits conferred on the*

21 *insured under the policy in accordance with the terms of the as-*
 22 *signment.*

1 4. Section 45 of P. L. 1965, c. 89 (C. 53:5A-45) is amended to
 2 read as follows:

3 45. The right of a person to a pension, an annuity, or a retire-
 4 ment allowance, to the return of contributions, any benefit or right
 5 accrued or accruing to a person under the provisions of this act
 6 and the moneys in the various funds created under this act, shall
 7 be exempt from any State or municipal tax and from levy and sale,
 8 garnishment, attachment or any other process arising out of any
 9 State or Federal court, and, except as *hereinafter in this section and*
 10-11 *as in this act otherwise provided, shall be unassignable.*

12 *Nothing in this section shall prohibit any person insured under*
 13 *a group insurance policy, pursuant to an arrangement among the*
 14 *insured, the group policyholder and the insurer, from making to*
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 20 *effective date of this act, shall entitle the insurer to deal with the*
 21 *assignee as the owner of all rights and benefits conferred on the*
 22 *insured under the policy in accordance with the terms of the assign-*
 23 *ment.*

1 5. This act shall take effect immediately.

STATEMENT

Certain tax advantages may be obtained through an assignment under which a person covered by a group insurance policy makes a gift to another by executing an assignment divesting himself of all incidents of ownership provided by such policy. It is believed that such an assignment may be made under the present law and the purpose of this bill is to confirm and clarify this right.

Appropriate and identical amendments for this purpose are proposed to the Teachers' Pension and Annuity Fund, Public Employees' Retirement System and the Police and Firemen's Retirement System of New Jersey and the State Police Retirement and Benevolent Fund.

SENATE, No. 949

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 15, 1968

By Senators McDERMOTT, LACORTE and RINALDO

Referred to Committee on Banking and Insurance

AN ACT confirming and clarifying the rights of a person covered by a group insurance policy issued in connection with membership in certain public pension and retirement systems to execute a gift assignment of all of his rights and benefits under the policy and amending N. J. S. 18A:66-51, P. L. 1954, c. 84, s. 53 (C. 43:15A-53), P. L. 1944, c. 255, c. 17 (C. 43:16A-17), and P. L. 1965, c. 89, s. 45 (C. 53:5A-45).

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8 this article, shall be exempt from any State or municipal tax and
9 from levy and sale, garnishment, attachment or any other process
10 arising out of any State or Federal court, and, except *as hereafter*
11 *in this section and* as in this article otherwise provided, shall be
12 unassignable.

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15 *insured, the group policyholder and the insurer, from making to*
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9 any State or Federal court and, except as *in this section and in*
10 *this act otherwise provided*, shall be unassignable.

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21 *insured under the policy in accordance with the terms of the*
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Appropriate and identical amendments for this purpose are proposed to the Teachers' Pension and Annuity Fund, Public Employees' Retirement System and the Police and Firemen's Retirement System of New Jersey and the State Police Retirement and Benevolent Fund.

Where estate planning considerations warrant, group insurance policies should be assigned. Such assignments, if made, will be valid under New Jersey case law (and statute, if Senate Bills Nos. 232 and 233 are enacted), and should serve to exclude the proceeds from the insured's gross estate under the authority of Revenue Ruling 68-334. However, it would be inadvisable to transfer such policies to an irrevocable trust and thereby restrict the use of future estate planning techniques in the event the Commissioner of Internal Revenue changes his position with respect to the assignment of group-term life insurance policies.

State Bar (1969)
Lecture on Taxation
no. 3 March 1969

1969