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TOM

P.L. 1997, CHAPTER 25, *approved March 7, 1997*
Senate, No. 505

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:*
6

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.

19

20 3. This act shall take effect immediately.

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23 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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41 Permits members of the Judicial Retirement System to borrow against
their accumulated deductions in the retirement system.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 505

STATE OF NEW JERSEY

DATED: JANUARY 23, 1997

The Assembly State Government Committee reports favorably Senate Bill No. 505.

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% of the amount of the member's accumulated deductions. The amount borrowed, together with an interest rate of 4% per year on the unpaid balance of the loan, shall be repaid to the retirement system in equal installments deducted from the member's compensation or in a lump sum amount.

In the case of a member who retires or a retiree who dies before the outstanding balance of the loan and interest has been recovered, the bill provides for the repayment of the loan from any retirement or survivorship benefit, as appropriate.

Last session, a similar bill (S-692) was approved by the Pension and Health Benefits Review Commission with a recommendation that the bill be amended to "provide for repayment of a loan upon retirement or death" before the outstanding balance of the loan and interest has been recovered. The Senate State Management, Investment and Financial Institutions Committee amended that bill to address the commission's recommendation; that amendment is included in the present legislation.

SENATE STATE MANAGEMENT, INVESTMENT AND
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 505

STATE OF NEW JERSEY

DATED: MARCH 14, 1996

The Senate State Management, Investment and Financial Institutions Committee reports favorably Senate Bill No. 505.

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% of the amount of the member's accumulated deductions. The amount borrowed, together with an interest rate of 4% per year on the unpaid balance of the loan, shall be repaid to the retirement system in equal installments deducted from the member's compensation or in a lump sum amount.

The bill provides for the repayment of the loan if a member or retiree retires or dies before the outstanding balance of the loan and interest has been recovered.

Last session, a similar bill (S692) was approved by the Pension and Health Benefits Review Commission with the recommendation that the bill be amended to provide for the repayment of the loan if a member or retiree retires or dies before the outstanding balance of the loan and interest has been recovered. Such an amendment was made to the bill.

LEGISLATIVE FISCAL ESTIMATE TO
SENATE, No. 505
STATE OF NEW JERSEY

DATED: May 24, 1996

Senate Bill No. 505 of 1996 permits members of the Judicial Retirement System (JRS), who have at least three years of service in the retirement system, to borrow up to, but not more, than 50 percent of the amount of their accumulated pension contributions. 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 the members compensation. In addition, 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 has been recovered.

The Office of Legislative Services notes that active members of the JRS contribute 3 percent of the difference in the salary of their current position and the salary of that position at January 18, 1982. According to the annual valuation of the retirement system, dated July 1, 1995, members' contributions for the year totaled \$753,354. The total accumulated members' contributions were \$4,513,523.

The OLS notes that under this legislation, members of the JRS will be able to borrow 50 percent of their accumulated contributions at a below market interest rate of 4 percent per year. This rate is 4.75 percentage points lower than the 8.75 percent the actuary assumes as the return on investment.

If members were to borrow 50 percent of the \$4,513,523 in total accumulated member contributions, the investment earnings of the retirement system would decrease by \$107,197 for the current valuation year. ($\$197,467 - \$90,270 = \$107,197$) This investment "loss" would result in higher State contributions to fund the retirement system.

It should be noted that most of the other State-administered retirement systems permit members to borrow up to 50 percent of their accumulated pension contributions. However, the members of the other retirement systems contribute more toward the cost of funding their future pension benefits than members of the JRS. For example, members of the Public Employees' Retirement System contribute 5.0 percent of salary and the State contributes 2.29 percent of payroll. In comparison, members of the JRS contribute 3.0 percent of part of their annual salary and the State contributes 42.5 percent of payroll.

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The legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

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
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40 Permits members of the Judicial Retirement System to borrow against
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ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2285

STATE OF NEW JERSEY

DATED: JANUARY 23, 1997

The Assembly State Government Committee reports favorably Assembly, No. 2285.

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% of the amount of the member's accumulated deductions. The amount borrowed, together with an interest rate of 4% per year on the unpaid balance of the loan, shall be repaid to the retirement system in equal installments deducted from the member's compensation or in a lump sum amount.

In the case of a member who retires or a retiree who dies before the outstanding balance of the loan and interest has been recovered, the bill provides for the repayment of the loan from any retirement or survivorship benefit, as appropriate.

Last session, a similar bill (S-692) was approved by the Pension and Health Benefits Review Commission with a recommendation that the bill be amended to "provide for repayment of a loan upon retirement or death" before the outstanding balance of the loan and interest has been recovered. The Senate State Management, Investment and Financial Institutions Committee amended that bill to address the commission's recommendation; that amendment is included in the present legislation.

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2285
STATE OF NEW JERSEY

DATED: JANUARY 31, 1997

Assembly Bill No. 2285 of 1996 permits members of the Judicial Retirement System (JRS), who have at least three years of service in the retirement system, to borrow up to, but not more, than 50 percent of the amount of their accumulated pension contributions. 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 the member's compensation. In addition, 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 has been recovered.

The Office of Legislative Services notes that active members of the JRS contribute 3 percent of the difference in the salary of their current position and the salary of that position at January 18, 1982. According to the annual valuation of the retirement system, dated July 1, 1995, members' contributions for the year totaled \$753,354. The total accumulated members' contributions were \$4,513,523.

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If members were to borrow 50 percent of the \$4,513,523 in total accumulated member contributions, the investment earnings of the retirement system would decrease by \$107,197 for the current valuation year. ($\$197,467 - \$90,270 = \$107,197$) This investment "loss" would result in higher State contributions to fund the retirement system.

It should be noted that most of the other State-administered retirement systems permit members to borrow up to 50 percent of their accumulated pension contributions. However, the members of the other retirement systems contribute more toward the cost of funding their future pension benefits than members of the JRS. For example, members of the Public Employees' Retirement System contribute 5.0 percent of salary and the State contributes 2.29 percent of payroll. In comparison, members of the JRS contribute 3.0 percent of part of their annual salary and the State contributes 42.5 percent of payroll.

This legislative fiscal estimate has been produced by the Office of

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Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.