

ASSEMBLY, No. 4759

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED OCTOBER 8, 2020

Sponsored by:

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

SYNOPSIS

Addresses repayment of pension loans by certain retired members of State-administered retirement systems and requiring annual audits of such repayments.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** addressing repayment of pension loans by certain retired
2 members of State-administered retirement systems and requiring
3 annual audits of loan repayments, and supplementing Title 43 of
4 the Revised Statutes.

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

9 1. Notwithstanding the provisions of any other law to the
10 contrary, a retired member of any State-administered retirement
11 system who at the time of the member's retirement, whether
12 occurring heretofore or hereafter, has an outstanding loan from the
13 system that is to be repaid through a deduction from the member's
14 monthly retirement allowance shall be required to pay only the
15 amount borrowed and the amount of interest agreed to between the
16 parties at the inception of the loan and shall not be required to pay
17 any additional interest or penalties that may result from the failure
18 of the retirement system or the Division of Pensions and Benefits in
19 the State Department of the Treasury to withhold loan payments
20 from the member's retirement allowance. The total period of time
21 for repayment of such a loan shall not exceed five years exclusive
22 of the period of time during which the system or the division failed
23 to withhold payments.

25 2. Beginning on the 60th day after the effective date of this act
26 and annually thereafter, the Division of Pensions and Benefits shall
27 conduct an annual audit of each State-administered retirement
28 system for the specific purpose of determining whether pension
29 loan payments have failed to be withheld, on a timely basis, from
30 the monthly retirement allowance of any retired member. The
31 division shall file a report of its findings with the Legislature
32 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1).

34 3. This act shall take effect immediately, except that section 1
35 thereof shall remain inoperative until the Division of Pensions and
36 Benefits obtains a ruling from the federal Internal Revenue Service
37 that implementation of that section is permissible under federal law.

STATEMENT

42 This bill provides that a retired member of a State-administered
43 retirement system who at the time of the member's retirement,
44 whether occurring heretofore or hereafter, has an outstanding loan
45 from the system that is to be repaid through a deduction from the
46 member's monthly retirement allowance must pay only the amount
47 borrowed and the amount of interest agreed to between the parties
48 at the inception of the loan and will not be required to pay any

1 additional interest or penalties that may result from the failure of
2 the retirement system or the Division of Pensions and Benefits in
3 the State Department of the Treasury to withhold loan payments
4 from the member's retirement allowance. The total period of time
5 for repayment of such a loan is limited to five years exclusive of the
6 period of time during which the system or the division failed to
7 withhold payments.

8 Beginning on the 60th day after the bill's effective date, and
9 annually thereafter, the Division of Pensions and Benefits will
10 conduct an audit of each State-administered retirement system for
11 the specific purpose of determining whether pension loan payments
12 have failed to be withheld, on a timely basis, from the monthly
13 retirement allowance of any retired member. The division shall file
14 a report of its findings with the Legislature.

15 The bill will take effect immediately, except that section 1,
16 which prohibits the payment of additional interest or penalties, will
17 remain inoperative until the Division of Pensions and Benefits
18 obtains a ruling from the federal Internal Revenue Service that
19 implementation of that section is permissible under federal law.

20 Information provided by constituents indicates that there have
21 been numerous instances in which retirees of different State-
22 administered pension funds were informed years after retirement
23 that loan payments had not been withheld from the retirees'
24 monthly benefit and that they would now have to repay the loan
25 amount plus additional interest and penalties.