CalPERS

CalPERS **457 Plan**

Loan Feature

Planning for the unexpected can be difficult. Before you decide to tap into your CalPERS 457 Plan account, make sure you understand how a loan could impact your retirement savings.

Who may apply for a loan?

Any participant, whose employer has adopted the Loan Provision, may take a loan from their account with the CalPERS 457 Plan (the "Plan"). You will need to contact your employer or the Plan Information Line **800-260-0659** to confirm if your employer has adopted the Loan Provision.

What are the fees associated with applying for a loan?

- The charge is $50 per loan application. This fee is deducted from your Plan account.
- There is an annual maintenance fee of $35.00, assessed on a quarterly basis as $8.75.

The following may help you determine if a loan is the best option for addressing your unique financial situation.

Taking a loan from the Plan

How do you apply for a loan?

As a participant in the Plan, you may apply for a loan by phone at **800-260-0659** or online at **calpers.voya.com.**

What happens if and when the loan is approved?

Once the application is submitted and approved, the following will occur:

- You will receive the loan by mail or have it direct deposited via ACH if you have banking information on file for at least 7 days prior to requesting the loan. A Truth-in-Lending Disclosure Statement will also be mailed to you.
- The statement will contain the amount financed, the finance charge, the loan's annual percentage rate, the repayment procedure, the security interest, and a copy for you to keep for your records.

What are the minimum and maximum loan amounts?

The minimum loan amount is $1,000.

The maximum loan amount is the lesser of:

- 50% of your vested account balance as of the Valuation Date of the loan or, $50,000.
  - — The Valuation Date is the business day immediately before the date the loan is approved.
- This amount is then reduced by your highest outstanding loan balance, if any, over the last 12 months.

How is the maximum loan amount calculated?

The IRS limits the amount you may take from multiple plans for loans. For the purpose of determining the maximum loan amount available to you, any loan from any other plan maintained by a participating employer will be treated as if it were a loan made from this Plan. By submitting this loan you are stating that you are in compliance with these regulations.

How is the money taken out of my Plan investment offerings?

Loan disbursements will be taken pro rata across all the money sources, including any Roth balances and investment funds in your account, excluding Self-Managed Account (SMA) funds.

Will I have to pay taxes on the loan amount as if it were a distribution from my account?

No. Amounts borrowed through the Plan are not taxable distributions and are not subject to federal withholding taxes as long as the loan is repaid in full.

Will I have to pay interest on my loan?

Yes, you will pay interest on your loan at a rate of the Prime Rate plus 1%, as printed in the Wall Street Journal on the last business day of the prior month. These interest payments will go back into your account; however, you will not be able to deduct this interest on your income tax return.

- The Service Members Civil Relief Act (an update to the Soldiers' and Sailors' Civil Relief Act of 1940) imposes a 6% maximum limit on the interest rate charged to military service members for loans during the duration of active military service. For more information, call the Plan Information Line at **800-260-0569** weekdays between 6:00 a.m. - 5:00 p.m. PT, excluding stock market holidays.

How a loan may affect your savings

Pros	Cons
You have access to the money in your Plan account.	The amount of the interest may be less than the money you would have earned had you invested the loan balance.
You pay yourself back with interest that may be lower than a bank interest rate.	Your loan repayments are made with after-tax dollars.
No credit check.	Many participants decrease or stop contributions while paying back a loan, which negatively impacts their retirement savings.

Requesting a Loan

There are two ways to apply for a loan:

1. Visit **calpers.voya.com** to log into your account.
   — Under the *My Account* tab, click on *Loans*, then *Request a Loan*.
   — You will be required to provide your password to request a loan.
2. Call the Plan Information Line at **800-260-0659**, and speak with a Participant Service Representative. Representatives are available weekdays between 6:00 a.m. - 5:00 p.m. PT, excluding stock market holidays.

Upon approval, your loan application will be processed within 2 business days.

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Loan Repayments

How long may I take to repay the loan?

The minimum loan period is 1 year and the maximum loan period is 5 years.

How do I repay the loan?

You will repay yourself with interest through payroll deductions that are automatically deducted from your employer's payroll system.

- Payments will start between 2 to 4 weeks after the initial loan date, depending on when the loan is taken compared to your employer's payroll cycle.
- Payroll contributions and payments, including after-tax repayments, will be submitted through the myCalPERS system.
- Terminated participants can continue to make payments on an outstanding loan balance via reverse ACH. If a terminated participant elects the option to continue making payments, the loan will be amortized to a monthly payment. Please call the Plan Information Line to set up this option.

How are payments applied to my account?

Loan repayments will be reinvested according to your current investment elections.

May I pay off the loan in full?

Yes, you may prepay your loan in full at any time by paying the outstanding loan balance with a cashier's check or certified check made payable to: *CalPERS 457 Plan*.

- Partial loan prepayments are not allowed.

What if I am called to military duty?

If you are called to military duty, loan repayment and the default process will be suspended. The loan repayment period is extended for the period of time you are on active military duty under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

What if I am on an approved unpaid leave of absence (LOA)?

Once an unpaid LOA is verified by your employer, loan payments will be suspended for up to 12 months from your leave date, but not to exceed your originally scheduled loan payoff date. When you return to work, your loan will be re-amortized to a new loan repayment amount that includes your missed payments.

Under what circumstances may my loan be immediately due and payable?

- Upon death, insufficient paycheck funds, retirement, or termination of employment, your outstanding loan balance will be immediately due and payable. Terminated participants also have the option of continuing loan payments as an amortized monthly amount instead.

Loan Restrictions

How many loans may be taken out?

- You are permitted no more than 1 loan at any time.
- No new loan may be taken until the outstanding loan is paid off.
- Loan refinancing is not allowed.
- Loans can not be taken from funds in your Self-Managed Account (SMA).

If I have a loan outstanding, may I transfer monies between participating employers' plans?

- If you have an outstanding loan with the CalPERS 457 Plan and request a transfer of your account to another CalPERS 457 Plan maintained by a participating employer, CalPERS will process the transfer of your unencumbered account balance less the outstanding loan balance payable to the CalPERS 457 Plan.
  — Further transfer requests will not be processed until your loan with the CalPERS 457 Plan has been repaid in full.
- If you have an outstanding loan from any other plan provider maintained by a CalPERS 457 participating employer, CalPERS will accept a transfer of your unencumbered account balance from the other plan, less the amount of the outstanding loan balance payable to the other plan.

May I use something besides my Plan account as collateral for a loan?

No. A loan may only be secured by an interest in your vested account pre-tax balance and Roth balance.

Loan Default

What happens if I fail to make a scheduled payment?

CalPERS will treat a loan in default if any scheduled repayment remains unpaid after the expiration of the maximum grace period — the last day of the calendar quarter following the calendar quarter in which the required repayment was due, or if there is outstanding principal existing on the loan after the last scheduled repayment date.

What happens if I default on my loan?

If your loan defaults, your vested account balance will be offset by the outstanding loan balance to the extent that a distribution from your account is permissible under the Plan.

- The distribution made for the loan repayment will be reported as earned income and a 1099R will be issued.