

## LOAN FEATURE

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



### Who may apply for a loan?

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

### What are the fees associated with applying for a loan?

- The charge is \$50 per loan application paid by the participant. This fee is deducted from your Plan account.
- There are no annual maintenance fees or asset-based fees assigned to the loan.

*The following Most Frequently Asked Questions and Answers may help you in determining if requesting a loan is really the best method for you to meet those unexpected expenses*

## 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 over the Plan Information Line at 1-800-260-0659 or Web Sites at <https://calpers.ingplans.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 check along with a Truth-in-Lending Disclosure Statement.
- The promissory note and security agreement will be printed on the back of the loan check.
- The notice 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 preceding the date on which 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. The maximum loan amount is the lesser of: (1) 50 percent of your vested account balance as of the Valuation Date immediately preceding the date on which the loan is approved, or (2) \$50,000, less the highest outstanding loan balance over the last 12 months. 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 and investment funds in your account, excluding SMA Funds.

### Will I have to pay taxes on the loan amount as if it was 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 one percent, 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, contact a Participant Service Representative at 1-800-260-0659, Monday through Friday, 6:00 a.m. to 5:00 p.m. Pacific Time, except on New York Stock Exchange holidays.

## How a loan may affect your savings

### Pros

You have access to the money in your Plan account.

You pay yourself back with interest that may be lower than a bank interest rate.

No credit check.

### Cons

The amount of the interest may be less than the money you would have earned had you invested the loan balance.

Your loan repayments are made with after-tax dollars.

Many participants decrease or stop contributions while paying back a loan which negatively impacts your retirement savings.

**Continued**

## Requesting a Loan

There are three ways to apply for a loan:

- Log on to the CalPERS website at <https://calpers.ingplans.com>, enter your login information, and select your Plan.
  - Under the **My Account** tab, click on **Loans**, then **Request a Loan**.
  - You will be required to provide your password to request a loan.
- Call the CalPERS Plan Information Line at **1-800-260-0659**, option 1 and use the automated service to request a loan.
- Call the CalPERS Plan Information Line at **1-800-260-0659**, and speak with a Participant Service Representative. Representatives are available Monday through Friday, 6:00 a.m. to 5:00 p.m. Pacific Time, except on New York Stock Exchange holidays.

**Upon approval, your loan application will be processed and a check will be mailed usually within 2 business days.**

## Loan Repayments

### How long may I take to repay the loan?

- The minimum time period for borrowing is one year.
- The maximum time period for borrowing is 5 years.

### How do I repay the loan?

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

- Payments will begin with the regular payroll beginning the second month, or as soon thereafter as is administratively practicable.
- Payroll transmission including loan repayments will be via ING's automated Payroll Administration process, including wire or internet transmission.

### How are payments applied to my account?

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

### May I payoff the loan in full?

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

- Partial payments 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).

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

- Upon death, unpaid leave of absence, insufficient paycheck funds, retirement or termination of employment, your outstanding loan balance will be immediately due and payable.
- Failure to repay upon death, disability, retirement or termination will be deemed a distribution and will be reported as earned income and a 1099R will be issued.

## Loan Restrictions

### How many loans may be taken out?

- For all CalPERS Supplemental Income 457 Plans, the maximum number of loans permitted at one time is one.
- No new loan may be taken until the outstanding loan is paid off.
- **Loan refinancing is not allowed.**
- Loans can not be taken on SMA (Self-Managed Account) investments.

### 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 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 enter into default on my loan?

If your loan is defaulted, 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.

