



LOANS

TIER 3, 4 AND TIER 6 BASIC AND SPECIAL PLAN MEMBERS

APRIL 2016

Words that are italicized have special meaning, and possibly require further explanation. The definitions of these words can be found on the back page of this brochure.

TIER INFORMATION

Employees who joined NYCERS between July 27, 1976 and March 31, 2012 are members of Tier 4, except members of the uniformed force of the NYC Department of Correction, who are Tier 3 members, and Investigators employed in District Attorneys' offices, who are Tier 2 members. All employees who join on or after April 1, 2012 are in a Tier 6 plan. Tier 6 Basic and Special Plan members may borrow against their pension account. Tier 6 22-Year Plan members may not.

ACCESS YOUR LOAN INFORMATION ON THE WEB!

The easiest way to access personalized information about a loan is to create a MY NYCERS account on our website (www.nycers.org). With a MY NYCERS account and a registered Personal Identification Number, members are able to access more detailed information in a safe and secure manner. The Loan Information page will display an outstanding loan balance, indicate your eligibility to take a loan, and indicate how much you are eligible to borrow. In addition, through E-payments, members can pay off an outstanding loan balance electronically through a credit/debit charge or e-check. Simply click the "Pay Now" button and follow the steps to process your electronic payment.

ELIGIBILITY

To qualify to take out a loan, you must:

- ▶ complete one year of NYCERS membership
- ▶ have a minimum of \$1,334 in your NYCERS retirement account
- ▶ be in active payroll status
- ▶ not be in default on a current loan from NYCERS
- ▶ not be retired

THE AMOUNT YOU CAN BORROW

The amount you can borrow is based on your contributions in your account, the added value of any interest your contributions have earned, minus the present value of any outstanding loan(s).

Tier 3 and 4 members are required to contribute 3% of total wages, including overtime, into their *Member Contribution Accumulation Fund* (MCAF) until the anniversary date of their tenth year of membership or the date they attain ten years of *Credited Service* (whichever is earlier). These contributions are called Basic Member Contributions (BMCs). Tier 6 Basic and Special Plan members must contribute BMCs of 3% - 6% of wages until they separate from City service or until they retire. Please see your Plan brochure for your contribution rates. Members of some special retirement plans are also

required to make *Additional Member Contributions*, which are deposited into their *Retirement Reserve Fund* (RRF) account.

A loan cannot exceed 75% of the contributions, with interest, last posted to your MCAF account. In addition, some members are able to borrow 75% of all or some part of the amount in their RRF account. Neither of these types of loans reduces the actual amount contained within these accounts.

You may not borrow less than \$1,000, and you can obtain only one loan in any 12-month period. This restriction is governed by law and NYCERS is not permitted to make exceptions, even in emergency situations.

HOW TO FILE AN APPLICATION

There are three ways to apply for a loan: online, by mail or in person.

MY NYCERS accountholders with registered Personal Identification Numbers can apply for a loan online. This online tool allows members to explore different loan options before settling on a loan amount and choosing which repayment option best fits their needs. In addition, current procedures require members to sign a tax authorization letter before a taxable loan can be processed. By applying online, members selecting a taxable loan option can fulfill this requirement by electronic signature at the end of the online application.

An original (neither a copy nor a fax) Loan Application (Form #302) can be mailed or dropped off in person at our Customer Service Center. If your loan is taxable, a trip to our Customer Service Center will save you time, as you can sign the tax authorization letter immediately after filing your application. If you apply by mail and your loan is taxable, a tax authorization letter will be mailed to you.

GETTING THE MONEY

After you apply, it will be approximately 15 business days before you receive the funds (10 business days if you apply online). The funds can either be mailed to you as a check or deposited directly into a bank account through Electronic Funds Transfer (EFT). You can indicate which option you would like on the loan application. We recommend EFT because:

It is **SAFE** - eliminates the risk of your loan check being lost or stolen

It is **FAST** - no waiting for the check to clear your bank - the funds are immediately available

It is **EASY** - no more trips to the bank - no more waiting in line to deposit the check

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www.nycers.org

Join the thousands of NYCERS members and pensioners who selected EFT for the deposit of their loan or pension funds. They overwhelmingly confirm that EFT is safe, fast, and easy!

REPAYMENT

The current interest rate on a Tier 3, 4 and 6 loan is 6.2% (6% basic interest rate plus 0.2% mandatory loan insurance).

As long as you are in pay status, all loans must be repaid through payroll deductions or the entire loan can be paid off in one lump sum. You must pay at least 2% of your gross salary per pay period and the payments must be sufficient to repay the amount borrowed, plus interest, within five years. See the Non-Payment Section of this brochure for information on how to repay your loan if you leave City service or go off payroll for any length of time.

If you want to pay back more than the minimum amount, you may choose on the loan application to deduct a specific dollar amount per pay period or a definite number of pay periods in which to repay your loan. Below are examples of repayment schedules for bi-weekly payrolls only.

Loan Amount	Years				
	5	4	3	2	1
	# of Payments				
	130	104	78	52	26
\$40,000	\$358	\$435	\$563	\$819	
\$38,000	340	413	534	778	
\$36,000	322	391	506	737	
\$34,000	304	370	478	696	
\$32,000	287	348	450	655	
\$30,000	269	326	422	614	
\$28,000	251	304	394	573	
\$26,000	233	283	366	532	
\$24,000	215	261	338	491	\$953
\$22,000	197	239	309	450	874
\$20,000	179	217	281	409	794
\$18,000	161	196	253	368	715
\$16,000	143	174	225	328	635
\$14,000	125	152	197	287	556
\$12,000	107	130	169	246	477
\$10,000	90	109	141	205	397
\$8,000	72	87	113	164	318
\$6,000	54	65	84	123	238
\$4,000	36	43	56	82	159
\$2,000	18	22	28	41	79

(When referring to this chart, please combine the new requested amount as well as any outstanding loan you may have.)

Deductions for repayment of your loan should begin in the first or second pay period after your loan application has been processed. If loan payments are not deducted from your paycheck following the second pay period after your loan has been processed, notify NYCERS immediately. If you do not notify NYCERS, interest will continue to accrue on your outstanding balance.

If you wish to change the amount of your repayment, you may elect one of the two following options:

- ▶ **Change of Repayment:** You may change the amount of your repayment only once in any 12-month period at a one-time service fee of \$30.00 (money order only). To change the loan repayment, you must fill out a Change of Repayment Form (NYCERS Form #309), which can be found on our website, in our walk-in Customer Service Center, or ordered through our 24 hour self-service Call Center.
- ▶ **Renegotiated Loan:** when you are eligible for another loan you may change your loan repayment schedule by borrowing additional amounts and changing the repayment schedule based on the new consolidated loan. Be forewarned, however, that if you renegotiate a loan to be repaid beyond its original 5-year repayment schedule, there will be tax consequences. Please refer to the Taxes Section of this brochure for more information.

If you are called to Active Military Duty, the obligation to repay your loan will be suspended, and shall be extended for the same amount of time that you are on Military Duty (for up to five years). However, interest continues to accrue at 6%.

All loans (except *Non-Performing Loans*) are fully insured against the death of a member 30 days after being issued.

FEES

- ▶ There is a service fee of \$30.00 for processing each loan.
- ▶ This fee is automatically deducted from the loan check. There is a \$30.00 service fee when filing Form #309 for a Change of Repayment.
- ▶ Those who are no longer on payroll may switch to direct payment; however, there is a \$5.00 per-payment fee for each direct payment.
- ▶ There is a \$20.00 service fee for personal checks that are returned uncollected.

NON-PAYMENT

Default

If you fail to make a payment on an outstanding loan for over 90 days for any reason, the loan is in default - it is a Non-Performing Loan.

Once a loan goes into default status, the possible penalties include:

- ▶ Your ineligibility to take out another loan until you have paid your outstanding loan balance in full.
- ▶ Your Non-Performing Loan becoming taxable. NYCERS will report the taxable portion of the loan in default for Federal income tax purposes as a taxable distribution. There is an additional 10% tax penalty if you are under age 59½ and have a Non-Performing Loan.
- ▶ Your Non-Performing Loan will no longer be insured against your death and if a beneficiary is due to receive a benefit, the amount of that benefit will be reduced by the amount of the outstanding loan.

Vesting

You need to continue to make loan payments even if you have vested (meaning you left City service but are not yet eligible to collect your retirement benefit). If you do not, interest will continue to accrue on the outstanding loan balance, perhaps even to the extent that it will significantly reduce any future retirement benefit you are entitled to.

To repay a loan after you go off payroll, you may elect to:

- ▶ Pay off your entire loan at any time. Lump-sum repayment can be made by bank check, money order or through E-payments on our website. If you have filed a retirement application, but have not been “finalized,” a lump-sum payment (partial or full) will be accepted as long as you have not yet selected a retirement benefit option.
- ▶ Make direct monthly repayments. There is a \$5 per-payment fee charged for each direct payment you make.

Note: If you are on union leave, you must repay your loan by direct payment, but the \$5 per-payment fee is waived.

No partial repayment is permitted, except:

- ▶ If you have filed for retirement, but you have not yet selected a retirement benefit option. Contact a NYCERS representative to find out how your outstanding loan will affect your retirement benefit and its tax consequences, or refer to the “Loan Reduction” chart to estimate the reduction in your benefit.
- ▶ If you transferred between City agencies and since the transfer there have been no deductions in your paycheck for loan repayments. Contact a NYCERS representative to arrange to make direct partial payments. If you do not, compound interest will continue to accrue on the loan.

At Retirement

An outstanding loan at retirement will permanently reduce your retirement benefit. The amount of the reduction in your benefit depends on your age at retirement and the size of the loan. The chart in the next column illustrates the benefit reduction in dollars for every one thousand dollars of an outstanding loan amount (based on a table of factors used for Calendar Year 2016 retirements).

LOAN REDUCTION

Age At Retirement	Annual Reduction per \$1,000 of Loan
55	\$60.76
56	\$61.96
57	\$63.22
58	\$64.56
59	\$65.98
60	\$67.48
61	\$69.07
62	\$70.75
63	\$72.54
64	\$74.44
65	\$76.47
66	\$78.63
67	\$80.95
68	\$83.42
69	\$86.06
70	\$88.87

Taxes

Active Members

If subject to tax, a loan is counted as ordinary income for Federal income tax purposes. In addition, if you are under the age of 59½, you will incur a 10% early distribution penalty tax assessed by the Internal Revenue Service.

Tier 3, 4 and 6 loans are subject to taxation if the total outstanding loan is both:

1. Greater than \$10,000
2. and More than 50% of the member’s non-forfeitable accrued vested benefit.

When borrowing results in a consolidated loan amount over \$50,000, at least the excess over \$50,000 is subject to Federal income tax.

Under IRS regulations effective January 1, 2004, newly consolidated loans may be subject to taxation. As always, the balance of an existing loan can be consolidated with a new loan creating a revised 5-year repayment schedule. After January 1, 2004, however, consolidated loans with a repayment schedule beyond the original 5-year repayment date most likely will create a significant tax consequence. Please note that under IRS regulations, a loan from NYCERS or a loan from your 457 or 403 (b) Deferred Compensation Plan account are considered to be loans from the “same employer” and are subject to all IRS rules concerning loans.

If all or any part of your next pension loan is subject to Federal taxes, NYCERS will offer you three loan processing methods (Refinance, Original Terms, and New Loan) to help you make an informed decision about the tax consequences. When you apply for a loan, you will be provided with a tax authorization letter that will outline the three methods. You

must select how you want the loan to be distributed and return the tax authorization letter to NYCERS before your loan application can be processed. (If you apply in person at NYCERS, all of this can be handled in one visit).

Three Loan Processing Methods:

Refinance: You have an outstanding loan that has not yet been paid in full. If your new loan is approved, NYCERS will consolidate the existing balance with the new amount, and a new repayment schedule (not to exceed 5 years) will be implemented. This method may result in the highest tax consequence.

Original Terms: You have an existing loan that has not yet been paid in full. If your new loan is approved, the amount of the new loan will be added to the existing balance; however, the consolidated amount will be paid within the original repayment schedule (not to exceed 5 years) that was associated with the existing loan amount.

New Loan: You are applying for a loan for the first time, or you have paid off a prior loan in full. If you have a loan that has not yet been paid in full, you must pay the balance before applying for a new loan. No loan repayment schedule can be greater than 5 years.

As an active employee you are not eligible to roll over the taxable portion of your loan into an IRA or any other tax-deferred plan.

Taxes At Retirement

Internal Revenue Service regulations now require NYCERS to treat pension loans as a retirement distribution if they are taken at, or near, the time of retirement. However, you may now roll over the taxable portion to an IRA or Employer Plan. In the event you choose not to roll over the taxable amount, NYCERS is required to withhold 20% Federal tax before issuing the check. If you have not yet reached the age of 55 and you choose not to roll over the taxable distribution, you will also be subject to an additional IRS 10% early distribution penalty tax when you file your taxes for that calendar year.

If you elect to roll over the eligible distribution, it is your responsibility to ensure that the institution you name will be able to receive this direct rollover from NYCERS.

The taxable portion of any prior loan balance is also available for rollover at retirement. However, you must accomplish this rollover on your own because the distribution was previously given to you. You will receive a post-retirement rollover letter approximately 30 days after you have retired explaining the exact amount that is eligible for rollover. You will have 60 days from the date of that letter to roll over the taxable portion to your IRA or Employer Plan.

Before you file for retirement, visit NYCERS to learn about the tax and retirement benefit consequences of an unpaid loan and about your repayment options.

DEFINITIONS

Additional Member Contributions (AMCs): Contributions required under a special retirement plan, which are in addition to the basic Tier 3, 4 and 6 contributions of 3% - 6% of wages. The AMC percentages differ in each special retirement plan.

Credited Service: Service rendered while a member of NYCERS, service transferred from another New York City or New York State Public Retirement System; and/or all purchased service.

Member Contribution Accumulation Fund (MCAF): Accounts maintained for each Tier 3, 4 and 6 member into which the "basic" contributions of 3% - 6% of wages deducted from the member's paycheck each payroll period are deposited, plus interest earned on such contributions.

Non-Performing Loan: A loan in which the borrower failed to make a loan payment for a 90-day period.

Retirement Reserve Fund (RRF): Accounts maintained for each Tier 3, 4 and 6 member (who has to pay AMCs) into which the AMCs deducted from the member's paycheck each payroll period are deposited, plus interest earned on such contributions.

Vested: A member's right to receive plan benefits in the future after completion of minimum service requirements, even if they terminate employment before they are eligible for payment of a service retirement benefit.

