



Loans

Tier 1 and 2 Members

Tier 1 and 2 Members

August 2012

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

TIER MEMBERSHIP INFORMATION:

1. Members who joined NYCERS prior to July 1, 1973 are Tier 1 members.
2. Members who joined NYCERS between July 1, 1973 and July 26, 1976, and DA Investigators who joined NYCERS between July 1, 1973 and March 31, 2012 are Tier 2 members.

ACCESS YOUR LOAN INFORMATION ON THE WEB!

The easiest way to access personalized information about your loan eligibility is to become a registered member of My NYCERS on our website (www.nycers.org). The Loan Information page will indicate whether you are eligible to take a loan, how much you are eligible to borrow, and when you will be eligible to take your next loan. It can also help you estimate the monthly repayment amount for a loan you want to take. Registration is easy and free!

You can also find out the same information in person at our Customer Service Center (remember to bring a photo ID).

ELIGIBILITY

To qualify to take out a loan, you must:

- Complete three years of NYCERS membership
- be in active payroll status (unless you are on an approved leave of absence)
- not be retired

THE AMOUNT YOU CAN BORROW

You may borrow up to 75% of your *Annuity Savings Fund* (ASF) account balance adjusted by present value of any outstanding loan(s). Your ASF consists of the contributions you have made, the added value of interest your account earned, less any previous loans taken out from your account.

You are not subject to a minimum loan amount, and you can take up to two loans in any 12-month period. This rule was enacted by

law, and NYCERS is not permitted to make exceptions, even in emergency situations.

HOW TO FILE AN APPLICATION

Applications to file for a loan (NYCERS Form #301) can be found on our website, or in our walk-in Customer Service Center. NYCERS accepts only original loan applications, not copies or faxes. Applications can be mailed in, or dropped off at our Customer Service Center.

GETTING THE MONEY

It takes approximately 10-15 business days for NYCERS to process your loan application. A check for the amount of the loan will be mailed to the address indicated on your loan application.

REPAYMENT

The current interest rate on a Tier 1 and 2 Loan is 6%.

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 5% of your gross salary per pay period, and the payments must be sufficient to repay the amount borrowed plus interest within 999 pay periods (38.4 years).

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.

Examples of repayment schedules for biweekly payrolls can be found on page 2.



Repayment Chart	YEARS				
	38.4	20	15	10	5
	# OF PAYMENTS				
LOAN AMOUNT	999	520	390	260	130
80,000	201	261	308	406	710
75,000	188	244	289	381	666
70,000	176	228	269	356	621
65,000	163	212	250	330	577
60,000	151	196	231	305	533
55,000	138	179	212	279	488
50,000	126	163	192	254	444
48,000	121	156	185	244	426
46,000	116	150	177	234	408
44,000	110	143	169	223	391
42,000	105	137	162	213	373
40,000	100	130	154	203	355
38,000	95	124	146	193	337
36,000	90	117	139	183	320
34,000	85	111	131	173	302
32,000	80	104	123	163	284
30,000	75	98	115	152	266
28,000	70	91	108	142	249
26,000	65	85	100	132	231
24,000	60	78	92	122	213
22,000	55	72	85	112	195
20,000	50	65	77	102	178
18,000	45	59	69	91	160
16,000	40	52	62	81	142
14,000	35	46	54	71	124
12,000	30	39	46	61	107
10,000	25	33	38	51	89

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.

If you leave city service before you retire, you may pay off your entire loan at any time. If you would like to repay your loan, write to NYCERS asking for a repayment amount and date. Make sure your letter includes your member number, current address, and signature. Lump-sum payments are payable by money order or by personal check.

If you die before retirement, any unpaid loan balance, up to a maximum of \$10,000, is insured as follows:

If your loan has been effective	It is Insured to This Amount
Less than 30 days	0%
30-59 days	25%
60-89 days	50%
90 days or longer	100% (up to \$10,000)

OUTSTANDING LOANS 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. Since interest continues to accrue on any unpaid loan up to the retirement date, the outstanding balance may increase to such a sizeable amount as to significantly decrease the retirement benefit that may be otherwise payable.

An outstanding loan at retirement will also have a tax consequence. Please see the Taxes Section of this brochure for more information.

The chart below illustrates the benefit reduction in dollars for every one thousand dollars of loan outstanding for some sample ages:

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.

You may only change the amount of your repayment by negotiating a new loan. The loan amount may be as little as \$10, however, this will count as one of the two loans allowed in the 12-month period.

Age at Retirement	Reduction per \$1000 (range)
50	\$66 - \$87
55	\$73 - \$91
60	\$82 - \$98
65	\$94 - \$107

TAXES

Active Members

If subject to tax, a loan is counted as ordinary income for Federal Income Tax purposes. In addition, members under the age of 59½ will incur a 10% Internal Revenue Service penalty tax.

Loans with a repayment schedule of greater than five years are usually considered taxable distributions. Generally, you may repay an outstanding loan in full or in part only prior to selecting a retirement benefit option.

Generally, loans with a repayment schedule of five years or less are not taxable, except for cumulative loans totaling over \$50,000. However, if the loan is not repaid within five years, the outstanding balance at the end of the five-year period may be considered a taxable distribution.

Under IRS regulations effective January 1, 2004, newly consolidated loans may be subject to tax, too. Prior to January 1, 2004, the balance of an existing loan could be consolidated with a new loan creating a revised 5-year repayment schedule. In most cases, the consolidated loan was not subject to tax (unless it had exceeded IRS thresholds). After January 1, 2004, consolidated loans with a repayment schedule beyond the original 5-year repayment date will create a significant tax consequence.

Taxable loan distributions for active members are not eligible to be rolled over into an IRA or any other tax deferred plan.

Loans limited to pre-1987 contributions are not taxable regardless of the repayment schedule or amount. (Check off the Tax-Free Principal box on the loan application).

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 rollover the taxable portion to an IRA or Employer Plan. In the event you choose not to rollover the taxable amount, NYCERS is required to deduct 20% withholding tax, before issuing the check. If you have not yet reached the age of 55, and you choose not to rollover the taxable distribution, you will also be subject to an additional IRS 10% penalty tax when you file your taxes for that calendar year.

If you elect to rollover the eligible distribution, it is your responsibility to assure 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 rollover 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

Annuity Savings Fund: An account maintained for each Tier 1 and Tier 2 member into which the basic contributions of Wages deducted from the member's pay check each payroll period are deposited, plus interest earned on such contributions.



