



# SUPPLEMENTAL INCOME PLANS

## Loan Rules and Procedures

This document is hereby adopted by CalPERS pursuant to its authority under Article 8 of the Plan Document, and is intended to comply with the requirements of Section 457 and Section 72(p)(2) of the Internal Revenue Code, and the Federal Truth-in-Lending Act. CalPERS reserves the right to amend or revise this document at any time.

Effective for all loans granted pursuant to the Plan Document, the following rules and procedures shall apply:

1. Any Participant, as that term is defined in Article 1 of the Plan Document, may apply for a loan from the Plan. The charge to the Participant will be \$50 per loan application. There are no annual maintenance fees or asset-based fees.
2. A Participant may apply for a loan over the Customer Service Line or Internet site maintained for the Plan.
3. If the loan application is approved, the Participant 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 the participant.
4. The minimum loan amount is \$1,000. The maximum loan amount is the lesser of: (1) 50 percent of the Participant's 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. For the purpose of determining the maximum loan amount available to a Participant, any loan from any other plan maintained by a participating employer will be treated as if it were a loan made from this Plan, and the Participant's vested interest under the other plan will be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph will not be applied so as to allow the amount of a loan from this Plan to exceed the amount that would otherwise be permitted under federal law.
5. If a Participant has an outstanding loan from any other plan maintained by a participating employer, CalPERS will accept a transfer of the Participant's unencumbered account balance from the other plan, less the amount of the outstanding loan balance payable to the other plan,
6. If a Participant has an outstanding loan with the CalPERS 457 Plan and requests a transfer of his or her account to another plan maintained by a participating employer, CalPERS will process the transfer of the Participant's unencumbered account balance less the outstanding loan balance payable to the CalPERS 457 Plan. Further transfer requests will not be processed until the Participant's loan with the CalPERS 457 Plan has been repaid in full.
7. The minimum time period for borrowing is one year. The maximum time period for borrowing is 5 years.
8. 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.
9. A loan to a Participant may only be secured by an interest in the Participant's vested account balance.

10. Loan disbursements will be taken pro rata across all money sources and investment funds in the Participant's account.
11. A loan will bear an interest rate of the Prime Rate plus one percent. All repayments plus interest will inure to the Participant's account.
12. Loan repayments will be automatically deducted from the Employer's payroll system, and remitted with the regular payroll beginning the second month, or as soon thereafter as is administratively practicable. Payroll transmission including loan repayments will be via an automated process.
13. Loan repayments by the Participant will be reinvested according to the Participant's current investment elections.
14. A Participant may prepay his/her loan in full at any time by paying the outstanding loan balance by cashier's check or certified check. Partial payments are not allowed.
15. 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. If a loan is defaulted, the Participant's vested account balance will be offset by the outstanding loan balance to the extent that a distribution from such account is permissible under the Plan. This will be reported as earned income and a 1099R will be issued. The Participant will be permanently ineligible for any future loans from the Plan and will be prohibited from making contributions to the Plan until 12 calendar months has elapsed from the date the defaulted loan has been repaid in full.
16. Upon death, disability, retirement or termination of employment, the Participant's 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.



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## LOAN PROGRAM EMPLOYER ENROLLMENT

*Please note: you must have an automated payroll process in order to participate in the loan program.*

### I. GENERAL INFORMATION

Employer Name: \_\_\_\_\_ Employer Plan Number (if applicable): \_\_\_\_\_

### II. ADOPTION OF CALPERS 457 LOAN PROGRAM

By signing this form, the Employer, the sponsor of the Plan referenced above, which began participating in the CalPERS 457 Program pursuant to an Adoption Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby adopts the CalPERS 457 Loan Program.

The Employer will deduct loan repayments directly from employee salary and remit payments along with deferrals. The repayment method for contributions and loan repayments must be made by an acceptable automated method.

### III. SIGNATURES

Employer's Signature \_\_\_\_\_ Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**Please return form to:**

**Standard Delivery:** CalPERS 457 Plan  
Attn: Administration  
P.O. Box 2647  
Lewiston, ME 04241

**Overnight Delivery:** ING  
CalPERS 457 Plan Administration  
1775 Lisbon Road  
Lewiston, ME 04240

**Fax Delivery:** (888) 228-6185