

BERS

Board of
Education
Retirement
System

FOR
A
Z



**EARLY RETIREMENT
LOAN PROGRAM**

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Board of Education Retirement System

Members of the Board of Education Retirement System (BERS) who participate in Early Retirement Programs are eligible for an additional loan program under the Qualified Pension Plan (QPP).

The current Early Retirement Programs are:

- Tier 2 - 55/25 Optional Early Retirement
- Tier 2 - 25/Out Early Retirement - Special Officers
- Tier 2 - 55/25 Optional Early Retirement - Teachers
- Tier 4 - 57/5 Mandatory Early Retirement
- Tier 4 - 55/25 Optional Early Retirement
- Tier 4 - 55/25 Optional Early Retirement - Teachers
- Tier 4 - 55/27 Optional Early Retirement - Teachers
- Tier 4 - 50/25 Early Retirement - Automotive
- Tier 4 - 25/Out Early Retirement - Special Officers
- Tier 4 - 55/27 Mandatory Early Retirement - Teachers

This pamphlet highlights the important features of the Early Retirement Loan Programs. The Early Retirement Loan Program is separate and apart from any other loan program in which you may be eligible to participate. Other BERS loan programs include the Tier 1/2, Tier 4/6 and Tax Deferred Annuity (TDA) Loan Programs. The Early Retirement Loan Program (also known as the Tier Enhancement Loan Program) is administered in accordance with IRS Rules and Regulations, New York State Education Law, the Administrative Code of the City of New York and administrative provisions adopted by BERS and its Board of Trustees.

An Early Retirement loan is a plan loan that uses your Additional Member Contributions (AMC) account as collateral. When the loan check is drawn, your account balance is not reduced. However, if you retire or your employment ends and you have an outstanding balance, the outstanding balance and any accumulated interest thereon, may become a deficit in your account and cause a reduction in your benefits.

Introduction

Board of Education Retirement System

Eligibility

If you are a member who participated in an Early Retirement Program and you are in active service or on an approved leave of absence with pay, have at least one year of membership service, have not taken an Early Retirement Loan in the last 12 months and are not in default in any BERS loan program, you may be eligible to take a loan.

Minimum Loan Amount

The minimum loan amount that you can borrow is \$1,000.

Maximum Loan Amount

If you have five or more years of credited service, your maximum available loan is the lesser of (a) or (b) below. If you have less than five years of credited service, your maximum available loan is the least of (a), (b) and (c) below:

- (a) \$50,000 minus your highest combined loan balance during the last 12 months from any employer-sponsored loan program. These include the Tier 1/2, Tier 4/6, Early Retirement, and TDA loan programs, as well as the New York City Deferred Compensation Plan Loan Programs (457 and 401(k));
- (b) 75% of your Additional Member Contributions (AMC) account less any current outstanding loan balance on your AMC Loan; or
- (c) The greater of (1) 50% of your ASF/MCAF, Early Retirement, TDA, 457 and 401(k) Accounts or (2) \$10,000 less your current combined outstanding loan balances.

There is one circumstance when the maximum loan amount can be exceeded and that is when a loan is taken in conjunction with retirement. At retirement a member can take a maximum loan of 75% of the AMC account less any current outstanding AMC loan balances.

Interest Rate

The interest rate of Early Retirement loans is currently 6% per annum for Tier 2 members, and 7% per annum for Tier 4 or 6 members. These rates apply to Early Retirement loans issued after June 30, 2012.

Service Charge

There is a \$50 non-refundable service charge to process or recalculate a loan. This charge will be considered an additional loan amount when calculating the repayment and duration. For example, if you are eligible for a \$50,000 loan, you will receive a check or Electronic Funds Transfer (EFT) for \$49,950 to avoid exceeding the \$50,000 maximum when the \$50 charge is added to the loan. If you are eligible for and request a loan of \$10,000, you will receive a check or EFT for \$10,000. Repayments will be calculated on \$10,050 (the loan amount plus the \$50 charge).

When you apply for a loan, you have the option of paying the charge by certified check or money order (personal checks will not be accepted) to avoid having the charge included in the monthly repayment amount.

Once your loan application is processed, the loan cannot be cancelled.

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Early Retirement loans are fully insured 30 days after the loan is distributed to you. Once your loan is insured, in the event of your death, any outstanding loan balance will be repaid by the insurance program. The insurance rate is currently 0.2% per annum. The insurance premium is considered when calculating your repayment amount when you apply for a loan. If you fail to repay your loan, it will default and the insurance on your loan will cease.

The maximum repayment period for these loans is 48 months. The amount borrowed, together with interest, insurance and service charge is repaid in regular installments over the period selected by you up to 48 months. Special circumstances are applicable if you are on active military duty in the United States armed forces. You may not have to repay any loan for up to 60 months after the loan is initiated. If you are on active military duty, contact BERS to discuss your repayment options.

Repayments are generally made through payroll deductions. If deductions from your paycheck do not begin on the date indicated in the letter notifying you of the repayment terms, please contact BERS immediately to ensure that the repayments are scheduled and your loan does not default. It is your responsibility to notify BERS of changes in your payroll status which may interfere with loan repayment deductions from your paycheck.

If you have an outstanding loan and you are not receiving regular paychecks (that is, you are on an approved leave of absence without pay or you are a part-time employee on the T Bank payroll), you must request to make monthly repayments directly to BERS. Monthly payments made directly must agree with the amount calculated when the loan is initiated.

If you miss a scheduled payment for any reason, additional interest and insurance will accrue.

When calculating your loan payment based on the duration you selected, the repayment amount cannot be less than 2% of your gross salary per paycheck.

A lump sum repayment option to pay off an outstanding loan balance is available. If you wish to make a lump sum repayment, contact BERS and request a lump sum payment amount and repayment due date. Partial repayments over your calculated repayment amount are allowed but will result in a \$50 fee to recalculate a new loan repayment amount.

If no repayments are received within any 90-day period, your loan will go into default. If your loan goes into default, the loan will no longer be insured. Also, the outstanding balance will be deemed a distribution and will be reported to the Internal Revenue Service. You will receive an IRS 1099-R Form for the taxable portion of the distribution. There may be tax consequences associated with this distribution. Please note that while the loan will be considered distributed for tax purposes, as the loan is not actually repaid by you, the outstanding loan balance will remain and the loan will

Loan Insurance

Duration and Repayment

Default

continue to accrue interest until you repay the loan, retire or request a refund of your contributions.

If a loan is not fully repaid within 60 months of disbursement, the outstanding balance will be deemed a distribution and will be reported to the Internal Revenue Service.

Retirement

Any outstanding loan balances at retirement will be deemed distributions, unless the outstanding balances are paid in full prior to your retirement date. If outstanding loan balances are distributed, you will receive 1099-Rs for the taxable portions of the distributions that will also be reported to the IRS. There may be tax consequences associated with these distributions.

You have the option of repaying the loan balances not paid at retirement even after retirement but the balance must be repaid in one lump sum. Retirees can contact the retirement office and request a payoff amount for any loans that were outstanding at retirement. Once full payment of the loan is received, your retirement allowance will no longer be reduced after that date.

**Separation from Service:
Resignation or Termination**

If you resign or are terminated and you have an outstanding loan, you should request to make monthly repayments directly to BERS before you are removed from active payroll status. If no loan repayments are received in any 90-day period, your loan will go into default.

Transfer of Membership to Another Retirement System

If you transfer your BERS membership to another public retirement system, your outstanding loans will also be transferred, provided the new retirement system is willing to accept the outstanding loans. If the new system cannot accept the outstanding loan, you must make a lump sum payment within 90 days to BERS. Otherwise the outstanding loan will be considered a distribution.

Death

If you have an outstanding loan balance at the time of your death, your loan will be liquidated according to the insurance provisions provided herein.

Loan Information

Your semi-annual Statement of Accounts includes information concerning your loan activities, availability and status. You may also request a loan inquiry from BERS at any time during the year.

| | |
|----------------|-------|
| INTEREST RATE | 6.00% |
| LOAN INSURANCE | 0.20% |
| | 6.20% |

The application fee of \$50 will be deducted from the loan check.
Do not submit with the application.

Approximate repayment schedules for biweekly payroll. For a member on a weekly payroll, the repayment amount will be about half that of a loan payable over the same number of years. In all cases, payments may not be less than 2% of base salary.

| Loan Amount | Years | 4 | 3 | 2 | 1 |
|-------------|------------|-----|-----|-----|-----|
| | # Payments | 104 | 78 | 52 | 26 |
| \$40,000 | | 435 | 563 | 819 | |
| \$39,000 | | 424 | 549 | 798 | |
| \$38,000 | | 413 | 534 | 778 | |
| \$37,000 | | 402 | 520 | 757 | |
| \$36,000 | | 391 | 506 | 737 | |
| \$35,000 | | 380 | 492 | 716 | |
| \$34,000 | | 370 | 478 | 696 | |
| \$33,000 | | 359 | 464 | 676 | |
| \$32,000 | | 348 | 450 | 655 | |
| \$31,000 | | 337 | 436 | 635 | |
| \$30,000 | | 326 | 422 | 614 | |
| \$29,000 | | 315 | 408 | 594 | |
| \$28,000 | | 304 | 394 | 573 | |
| \$27,000 | | 293 | 380 | 553 | |
| \$26,000 | | 283 | 366 | 532 | |
| \$25,000 | | 272 | 352 | 512 | 993 |
| \$24,000 | | 261 | 338 | 491 | 953 |
| \$23,000 | | 250 | 323 | 471 | 913 |
| \$22,000 | | 239 | 309 | 450 | 874 |
| \$21,000 | | 228 | 295 | 430 | 834 |
| \$20,000 | | 217 | 281 | 409 | 794 |
| \$19,000 | | 206 | 267 | 389 | 755 |
| \$18,000 | | 196 | 253 | 368 | 715 |
| \$17,000 | | 185 | 239 | 348 | 675 |
| \$16,000 | | 174 | 225 | 328 | 635 |
| \$15,000 | | 163 | 211 | 307 | 596 |
| \$14,000 | | 152 | 197 | 287 | 556 |
| \$13,000 | | 141 | 183 | 266 | 516 |
| \$12,000 | | 130 | 169 | 246 | 477 |
| \$11,000 | | 120 | 155 | 225 | 437 |
| \$10,000 | | 109 | 141 | 205 | 397 |
| \$9,000 | | 98 | 127 | 184 | 357 |
| \$8,000 | | 87 | 113 | 164 | 318 |
| \$7,000 | | 76 | 98 | 143 | 278 |
| \$6,000 | | 65 | 84 | 123 | 238 |
| \$5,000 | | 54 | 70 | 102 | 199 |
| \$4,000 | | 43 | 56 | 82 | 159 |
| \$3,000 | | 33 | 42 | 61 | 119 |
| \$2,000 | | 22 | 28 | 41 | 79 |
| \$1,000 | | 11 | 14 | 20 | 40 |

Board of Education Retirement System

The Interest Rate is subject to change on new loans. Please contact BERS to obtain the current rates.

This information should not be considered legal or tax advice. For such advice, we suggest that you contact your legal or tax consultant. The information provided is based on our understanding of the IRS Rules and Regulations, New York State Education Law, the Administrative Code of the City of New York, and the Administrative provisions adopted by BERS. If any of the information provided herein conflicts with any laws, rules and regulations, it is the laws, rules and regulations that will govern.

Board of Education Retirement System

65 Court Street, 16th Floor
Brooklyn, New York 11201-4965

929.305.3800
800.843.5575 (outside New York State)

REQUIRED
Member Number: E or G

Last 4 Digits
of SSN

Employee
Identification Number



Board of Education
Retirement System

MAILING ADDRESS | 65 COURT STREET, 16TH FL.
BROOKLYN, NEW YORK 11201-4965

| | | |
|--|--|--|
| | | |
|--|--|--|

You may submit this form via email to brespon@bers.nyc.gov.

You may also submit this form via fax to (718) 935-4124 or (718) 935-3830.

Prefix

Mr Mrs Ms Miss Other _____

First Name

M.I. Last Name

| | | |
|--|--|--|
| | | |
|--|--|--|

Bureau

| |
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| |
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Job Title

| |
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| |
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OFFICIAL DATE OF RECEIPT

Home/Legal Address

Apt. No.

| | |
|--|--|
| | |
|--|--|

City

State

Zip Code

| | | |
|--|--|--|
| | | |
|--|--|--|

Mailing Address (if different from above)

Apt. No.

| | |
|--|--|
| | |
|--|--|

City

State

Zip Code

| | | |
|--|--|--|
| | | |
|--|--|--|

Primary Telephone Number

Secondary Telephone Number

Is this a Cell #
 Yes No

Is this a Cell #
 Yes No

Work Telephone Number

Extension _____

REQUIRED – Primary Email

Secondary Email

| | |
|--|--|
| | |
|--|--|

Are you on the Per Session/Per Diem Payroll (T Bank)? Yes No

If you are on the T Bank Payroll, you must make payments directly to BERS.



EARLY RETIREMENT LOAN APPLICATION

EARLY RETIREMENT LOAN APPLICATION

REQUIRED

Member Number: E or G

Last 4 Digits
of SSN

Employee
Identification Number

| | | |
|--|--|--|
| | | |
|--|--|--|



Board of Education
Retirement System

MAILING ADDRESS | 65 COURT STREET, 16TH FL.
BROOKLYN, NEW YORK 11201-4965

LOAN TYPE: CHOOSE ONE BOX IN EACH SECTION

Loan Amount*

Maximum or Net Loan Amount \$ _____

*Combined loan amounts cannot exceed \$50,000 unless taken with retirement application.

Repayment Schedule**

Repayment Amount \$ _____ or Duration: _____
Months (Maximum 48)

**The minimum loan repayment amount per loan cannot be less than 2% of your gross salary.
Repayments cannot exceed net pay.

COMPLETE THIS SECTION FOR A LOAN AT RETIREMENT ONLY

Retirement Date: _____

Rollover Taxable Portion

Name of Rollover Institution

Mailing Address

City

State

Zip Code

| | | |
|--|--|--|
| | | |
|--|--|--|

Account Number



| | | |
|--|-------------------------|-----------------------------------|
| REQUIRED Member Number: E or G | Last 4 Digits of SSN | Employee Identification Number |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

COMPLETE THIS SECTION FOR ELECTRONIC FUNDS TRANSFER

My Early Retirement Loan should be deposited via EFT to the same account as my payroll check. YES NO

If you checked YES, do not fill in your banking information below.*

You may submit this form via email to brespon@bers.nyc.gov

***Note: If you are an SCA employee you must provide the EFT information.**

If you checked NO, please enter your banking information below.

You must submit your form via fax to (718) 935-4124 or (718) 935-3830. Do not submit this form via email.

| | |
|-------------------------------------|--|
| Exact Name of Financial Institution | Type of Account |
| <input type="text"/> | <input type="checkbox"/> Checking <input type="checkbox"/> Savings |

Name of Account Holder

| | |
|--|----------------------|
| Transit Routing/ABA Number (Must be 9 Numbers) | Account Number |
| <input type="text"/> | <input type="text"/> |

- I hereby authorize the Board of Education Retirement System to electronically transfer these funds to my account.
- I understand that any incorrect information provided will affect the transfer of my funds.

ACKNOWLEDGEMENT

I understand the conditions under which this loan will be calculated, and have received a copy of the Early Retirement Loan Program Pamphlet.

I understand that any person who presents false or fraudulent information in an application with intent to defraud BERS is guilty of a crime and may be subject to fines and confinement in prison.

DO NOT SIGN OR DATE UNLESS IN FRONT OF A NOTARY

Signature REQUIRED _____ **Date** _____

State of _____ County of _____
On this _____ day of _____ in the year 20_____
personally appeared before me the said _____
to me known to be the individual described in and who executed the
foregoing document, and he (she) duly acknowledged to me that he
(she) executed the same, and the statements contained therein are true.

Affix official seal in the box below

Signature of Notary Public or Commissioner of Deeds