

Loans



NYC EMPLOYEES'
RETIREMENT SYSTEM

Tier 3, 4 and 6 Members

August 2021

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.

Employees who join on or after April 1, 2012 are in a Tier 6 plan or a Tier 3 22-Year plan. Tier 6 plan members may borrow against their pension account, while Tier 3 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 MyNYCERS account at www.nycers.org. With a registered MyNYCERS account, you can access your personal account information in a safe and secure manner, file forms online, and more. The Loan Information page in MyNYCERS will display any outstanding loan balance, indicate your eligibility to take a loan, and indicate how much you may borrow. In addition, you can pay off an outstanding loan balance electronically with a credit/debit card or E-check. Simply click "Make a Payment" in the menu 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, **AND**
- Have a minimum of \$1,334 in your NYCERS retirement account, **AND**
- Be in active payroll status, **AND**
- Not be in default on a current loan from NYCERS, **AND**
- Not be retired

The Amount You Can Borrow

The amount you can borrow is based on member contributions in your account, including interest your contributions have earned, minus any outstanding loan(s).

Tier 3 and Tier 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 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 (AMCs), 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 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 and Receive the Money

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

Online:

Registered MyNYCERS accountholders can apply for a loan online. You can explore different loan options before settling on a loan amount and choosing which repayment option best fits your needs. Members must sign a tax authorization letter before a taxable loan can be processed, which can be completed using an electronic signature at the end of the online application.

If you apply online, you may elect to receive the funds by check (usually within 10 business days) or by Direct Deposit (also called Electronic Fund Transfer, or EFT) to either a checking or savings account within 3 business days. NYCERS strongly recommends 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



If you currently use Direct Deposit with your employer and/or NYCERS, that banking information will be displayed as an option for depositing the loan funds. You can also have your loan deposited into a new bank account. Your bank information will be verified by GIACT, NYCERS' third-party verification service. GIACT cannot verify certain accounts, such as credit union accounts. If you would like to have your check deposited into a credit union account, please select Mail now and then submit paper Form #310 with your direct deposit information.

By mail:

An original (i.e., not a copy or a fax) Loan Application Form #302 can be mailed to NYCERS at 30-30 47th Avenue, 10th Floor, Long Island City, NY 11101. If you apply by mail and your loan is taxable, a tax authorization letter will be mailed to you. You must sign and return the tax authorization letter in order to receive the funds. If you do not return the tax authorization letter within 30 days from the date on the letter, your Loan Application will be canceled. If your Loan Application is canceled and you are out of City service, you will not be eligible to apply for a new loan.

In person:

You may drop off your notarized Loan Application Form #302 in person at the drop box located outside of NYCERS' Offices at 340 Jay Street, Brooklyn, NY 11201.

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 premium. All loans except non-performing loans are fully insured 30 days after being issued. This means that if a member dies in active service 30 days after the issuance of a new loan, the beneficiary would receive the full amount of any benefit payable, not reduced by any outstanding balance of the loan unless the loan is in default.

As long as you are in active payroll status, all loans must be repaid through payroll deductions. The entire loan can also be paid off in one lump sum, either by check or electronic payment through your MyNYCERS account. Partial lump-sum payments are acceptable by check or online, but the repayment amount per paycheck doesn't change; the loan is just repaid sooner. 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 more than the minimum amount, you may choose on the loan application to deduct a specific dollar amount per pay period or enter 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	Number of Payments				
	130 For 5 years	104 For 4 years	78 For 3 years	52 For 2 years	26 For 1 year
\$40,000	\$358	\$435	\$563	\$819	N/A*
16,000	143	174	225	328	635
8,000	72	87	113	164	318
2,000	18	22	28	41	79

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

*Payment plan cannot exceed \$999.99 per paycheck.

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 have two 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 \$40.00 (money order only). The fee increase is effective July 1, 2020. To change the loan repayment, you must submit NYCERS Change of Repayment Form #309, available at www.nycers.org. Forms can also be requested by phone by calling NYCERS' Call Center at (347) 643-3000.
- **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. *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 extended for the same amount of time that you are on Military Duty (for up to the original five-year limitation specified by IRS regulations). However, interest continues to accrue at 6% plus the 0.2% mandatory loan insurance premium.



Fees

- There is a \$40.00 service fee for each loan, which is automatically deducted from the loan check.
- There is a \$40.00 service fee when filing Form #309 for a Change of Repayment on or after July 1, 2020; this fee must be paid by money order.
- Those who are no longer on payroll may switch to direct payment; 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

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, possible penalties include:

- Your Non-Performing Loan becomes 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.
- You will be ineligible to take out another loan until you have paid your outstanding loan balance in full.
- 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.

If you are on an approved leave of absence and your loan is in default, please submit a letter from your employer stating that you were on an “approved leave of absence.” This letter will cover your loan only for one year, after which you are responsible for making monthly payments until you return to payroll. The letter must include the exact start and end dates of your approved leave of absence.

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.

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

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

When borrowing results in a consolidated loan amount greater than \$50,000, the amount greater than \$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 five-year repayment schedule. After January 1, 2004, however, consolidated loans with a repayment schedule beyond the original five-year repayment date will most likely 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 online and select a taxable loan option, you can fulfill this requirement by electronic signature at the end of the online application. If you receive your tax authorization letter in the mail and do not complete and return it within 30 days from the date on the letter, your Loan Application will be canceled. If your Loan Application is canceled and you are out of City service, you will not be eligible to apply for a new loan.

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 five 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 five 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 five 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.



Vesting

If you have vested and left City service but are not yet eligible to collect your retirement benefit, you must continue to make loan payments. If you do not, interest will continue to accrue on the outstanding loan balance, which will 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 electronically through your MyNYCERS account. If you have filed a retirement application but your case has not been “finalized,” a lump-sum payment (partial or full) will be accepted.
- 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.

Partial repayment once you are off payroll is recommended in the following circumstances:

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

Taxes at Retirement

Internal Revenue Service regulations require NYCERS to treat pension loans as a retirement distribution if they are taken at, or near, the time of retirement. However, you may roll over the taxable portion of your loan to an IRA or Employer Plan. If 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 until the due date of your tax return for the year in which you received the rollover letter to roll over the taxable portion of the outstanding loan balance to an eligible retirement plan. If you do not roll over the taxable portion by the due date of your tax return for the year in which you received the letter, the taxable portion must be reported to the IRS as income.

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

Outstanding Loan at Retirement

Once you file for retirement, your loan deductions will end after your last paycheck. However, you may repay all or part of your loan balance up until you file your option election and your full benefit is finalized. Any payments you make during this time will decrease your loan balance at retirement. Once your full retirement benefit is processed, the outstanding loan balance at retirement will **permanently** reduce your retirement benefit **only** if you never pay back your loan (this permanent reduction is known as the actuarial reduction). Please note: The actuarial reduction is not a loan payment, therefore your outstanding loan balance at retirement will not decrease. The actuarial reduction to your benefit is for the lifetime of your benefit until the loan balance is paid off in full. **See Chapter 511 below.** The amount of the reduction depends on your age at retirement and the size of the loan. The chart below illustrates the benefit reduction, in dollars, for every \$1,000 of an outstanding loan (based on a table of factors used for Calendar Year 2020 retirements).

Under Chapter 511, retirees are permitted to repay the total amount of the outstanding loan at any time after retirement. By doing so, you will increase future monthly pension checks as of the date NYCERS receives your payment in full, for the amount of the loan balance at retirement. Thus, your retirement benefit will revert to what it would have been had it never been reduced by the actuarial reduction.

Age	Annual Reduction per \$1,000 of Loan		Age	Annual Reduction per \$1,000 of Loan	
	2021 Non-Uniformed	2021 Uniformed		2021 Non-Uniformed	2021 Uniformed
55	\$43.57	\$44.35	63	\$53.71	\$54.78
57	45.74	46.57	70	67.73	69.26
62	52.19	53.22	75	83.79	85.92

* Please note that the examples shown above reflect Service Retirement only. If you retired under Disability, these numbers would change and your reduction may be greater.

