QPP Loans

One of the many benefits provided by the Teachers' Retirement System of the City of New York (TRS) is the ability to borrow against your Qualified Pension Plan (QPP) accumulations. This brochure highlights the important features of this benefit.

FOR ALL TIERS

Eligibility

You may be eligible for one or more QPP loans if you are not currently in default on a QPP loan and you meet ONE of the following requirements:

- You are an in-service Tier I or II member, and you have at least three years of TRS membership service; or
- You are an in-service Tier III, IV, or VI member, and you have at least one year of TRS membership service; or
- You are on a leave of absence, and you meet the service requirements for your tier.

Within a 12-month period, Tiers I and II members may take up to two QPP loans; however, payments must have begun for the first loan before a second loan can be taken. Tiers III, IV, and VI members may take one QPP loan in a 12-month period.

According to Internal Revenue Service (IRS) regulations, outstanding loan balances may not be combined with new loans. Each loan is treated independently (*i.e.*, separate loan balances, repayment terms, interest charges, and applicable insurance premiums).

Please note that your request for a loan may be delayed or canceled if TRS does not have your date-of-birth documentation on file.

Loan Amounts

QPP loans must be taken in multiples of $10. If you are a Tier I or II member, the minimum amount of each loan is $250. If you are a Tier III, IV, or VI member with no outstanding QPP loan, the minimum loan amount is $1,000; however, if you are a Tier III, IV, or VI member with an outstanding QPP loan, the minimum additional loan that you may request is generally $250. Your new loan amount, plus any existing QPP loan balance(s), must total at least $1,000.

The maximum amount you may borrow is restricted by the following conditions:

- If you have at least five years of TRS membership service, the maximum *new* QPP loan amount you may request would be limited to the lesser of the amounts described in restrictions **A** and **B** below; if you have less than five years of TRS membership service, the maximum *new* QPP amount you may request would be the least of **A**, **B**, and **C**.
- If you take a loan at retirement, the maximum *new* QPP loan amount you may request would be the amount described in restriction **B** below. You may also elect to limit your loan to the amount of available tax-free funds in your account. If the loan amount you request exceeds the amount of your tax-free funds, the remainder of the loan would be taken from

your taxable funds. Please note that, if you already have an outstanding QPP loan, your tax-free funds would first be applied to each outstanding QPP loan balance. Any remaining tax-free funds would then be distributed as part of your new loan.

A. $50,000, less your highest combined outstanding QPP loan balance during the previous 12-month period, less your highest combined outstanding TDA loan balance during the previous 12-month period.

B. Tiers I and II: 75% of the value of your ASF*—less your current outstanding QPP loan balance.

Tiers III and IV: 75% of the combined value of your MCAF* and the balance in the employee portion of your AMCs*—less your current outstanding QPP loan balance.

Tier VI: 75% of the value of your MCAF*—less your current outstanding QPP loan balance.

C. Tiers I and II: The greater of (i) 50% of the combined value of your ASF* and your TDA account—less your current combined outstanding QPP and TDA loan balance; or (ii) $10,000—less your current combined outstanding QPP and TDA loan balance.

Tiers III and IV: The greater of (i) 50% of the combined value of your MCAF*, ASAF*, the balance in the employee portion of your AMCs*, and your TDA account—less your current combined outstanding QPP and TDA loan balance; or (ii) $10,000—less your current combined outstanding QPP and TDA loan balance.

Tier VI: The greater of (i) 50% of the value of your MCAF*, ASAF*, and your TDA account—less your current combined outstanding QPP and TDA loan balance; or (ii) $10,000—less your current combined outstanding QPP and TDA loan balance.

**AMCs: Additional Member Contributions made under the Age 55 Retirement Program (only if applicable)*
ASAF: Annuity Savings Accumulation Fund
ASF: Annuity Savings Fund
MCAF: Member Contributions Accumulation Fund

The value of your accounts is based on your most recent account balances and (for Tiers I and II members only) the most recent unit values of the variable-return Passport Funds available to TRS when your loan is calculated. There may be a two-month lag in the updating of account balances. For example, a loan issued in March may be based on your account balances for January.

Please be advised that any loan balance you may have from a New York City Deferred Compensation Plan (DCP) 401(k) and/or 457 account may affect the loan amounts you may borrow from your QPP account; if you have a DCP loan, your available QPP loan amounts may differ from the estimates provided by TRS before you apply. Also be advised that adverse tax consequences would result if the combined balance of your DCP and TRS loans exceeds $50,000, which is the maximum loan amount allowable under all public employer-sponsored programs. Please note that, since TRS must first verify your DCP loan status and balance before determining the amount you may borrow from your QPP account, the processing of your loan application may be delayed.

For your loan eligibility amounts or loan balances, you may access our website or call our Member Services Center.

Loan Applications

If you are in active service or on a leave of absence, you may apply for a QPP loan on our website, provided you have registered for secure access. Alternatively, you may file a paper "QPP Loan Application" (code LO6).

TRS issues loans each Wednesday; the funds are available the Friday of the same week. Loans are issued in one of two ways:

- **Electronic Fund Transfer (EFT):** You may be eligible to receive your loan via EFT if you are paid on the City of New York payroll and receive your paychecks through direct deposit. You may elect to receive your loan in the account where your paychecks are deposited. (Note: City University of New York (CUNY) members paid on the New York State payroll, and Charter School members, cannot receive loans via EFT.)

- **Check:** If you receive your loan by check, TRS is not responsible for any delays or loss through mailing. In the event of a delay and/or the loss of a check, interest charges on your loan would continue to accrue and your repayment schedule would remain unchanged.

Since TRS issues loans on a weekly basis, TRS must generally receive paper loan applications by the close of business on Wednesday of the preceding week. (If a holiday occurs during the week, TRS must receive your paper loan application by the first business day of the week.) Online loan applications must be received by 11:59 p.m. on the Sunday preceding the week they are issued.

If you file for a loan at retirement, you must file a paper "QPP Loan Application." TRS must receive your application no later than one business day prior to your effective retirement date. In this case, your loan would be issued after your effective retirement date (generally the third Wednesday after your retirement date) to meet IRS requirements. If your loan application is not preceded by or filed in conjunction with an application for retirement, your loan would be subject to the same restrictions that apply to members who are not retiring (see "Loan Amounts" section).

Generally, if you would like to change the loan amount or repayment terms you elected on your application, you must submit a notarized request indicating any changes no later than the next business day after TRS receives your loan application. However, for a loan taken at retirement, you have until the close of the business day immediately preceding your effective retirement date to submit this notarized request.

If you would like to cancel your QPP loan application, TRS must receive a notarized "Request for Withdrawal of Form/Application" (code MI5) by the following deadlines:

- If you filed a paper loan application, TRS must receive your cancellation request no later than the close of the next business day after TRS receives your loan application.
- If you filed an online QPP loan application Monday-Thursday, TRS must receive your cancellation request no later than the close of the next business day.
- If you filed an online QPP loan application Friday-Sunday, TRS must receive your cancellation request by 9:30 a.m. on the first business day following the weekend.

Failure to file a notarized "Request for Withdrawal of Form/Application" by the appropriate deadline would result in the processing of your loan application, and your loan would be disbursed.

Please note that your loan may not be returned after it has been issued.

Leaving Active Service

Retirement

Any outstanding and/or (Tiers III, IV, and VI only) defaulted QPP loan balance you have on your effective retirement date would be deducted from your QPP accumulations, and would generally reduce the amount of the retirement allowance you would otherwise receive. An outstanding loan balance would be deemed a distribution; this information would be provided to the IRS (see "Tax Consequences of Distributions" section). If you elect to repay an outstanding loan(s) that you have at retirement, TRS must receive your check at least one business day before your planned retirement date.

Any new QPP loan taken at retirement would not be repaid to TRS. Instead, it would be deemed a distribution; this information would be provided to the IRS. You would have the following three choices regarding the disbursement of a QPP loan taken at retirement:

a) receive the entire loan amount as a Direct Cash Payment;

b) have TRS directly roll over the entire taxable loan amount (minimum $200) to one or more eligible Individual Retirement Arrangements (IRAs) or other successor program(s); or

c) receive a portion of the loan amount as a Direct Cash Payment and have TRS directly roll over the taxable balance (see "Tax Consequences of Distributions" section). To roll over all or part of your QPP loan at retirement, you must file a "QPP Loan Direct Rollover Election Form" (code LO57). (If you elect to have TRS directly roll over your QPP funds, you may not change the rollover institution after your effective retirement date.)

Leave of Absence

If you take a leave of absence, you automatically qualify for a 12-month grace period when loan payments need not be made; however, interest would continue to accrue on the unpaid balance. If you have outstanding loans when your leave begins, the grace period would commence upon the receipt of payroll records indicating your change in status. If TRS issues a loan to you during your leave of absence, the grace period would begin upon issuance of the loan, unless you elect on your "QPP Loan Application" to begin making regular payments instead.

If you take advantage of the 12-month grace period, your loan payment amount would include the interest charges and (for Tiers III, IV, and VI members only) the insurance charges that would accrue during this time. In addition, your payments would be recalculated and you must recommence scheduled loan payments when your grace period ends or you return to active service (whichever is sooner).

However, you may elect to initiate immediate repayment at any time during the grace period. This option would allow you to avoid paying additional interest and any applicable insurance charges that would accrue from the time you make the repayment to the end of the grace period.

If your leave of absence exceeds the 12-month grace period, you must make periodic QPP loan payments after the grace period in order to avoid defaulting on your loan(s). Generally, Tiers I and II members must make quarterly payments. Tiers III, IV, and VI members must make monthly payments in all cases. TRS must receive these payments by the 15th of the month. Make your check payable to the "Teachers' Retirement System of the City of New York." Please include the payment voucher attached to your loan statement with your loan payment.

Note: If you transfer your TRS membership to an eligible New York City or New York State public retirement system during your leave of absence, you would be given a 30-day period in which to fully repay any outstanding loan balance. If you do not fully repay any outstanding loan balance to TRS within this 30-day period, the total balance would be transferred to your new retirement system. (To be eligible to transfer your TRS membership while on a leave of absence, your leave must be unpaid.)

FOR TIERS I AND II ONLY

Resignation/Termination/Membership Transfer

If you have an outstanding QPP loan balance when you resign or are terminated, you would be given a 30-day period in which to fully repay the balance with a lump-sum payment. If you transfer your TRS membership to an eligible New York City or New York State public retirement system and do not fully repay your total outstanding loan balance to TRS within this 30-day period, the total balance would be transferred to your new retirement system.

If your total outstanding loan balance is not repaid within the 30-day period, or transferred to a new retirement system, the total balance would be charged against your QPP accumulations; your QPP loan(s) would be closed and your QPP accumulations available for withdrawal would be reduced. The total amount charged against your QPP accumulations would be deemed a distribution; this information would be provided to the IRS (see "Tax Consequences of Distributions" section).

Note: If you transfer your TRS membership to an eligible New York City or New York State public retirement system during your leave of absence, you would be given a 30-day period in which to fully repay any outstanding loan balance. If you do not fully repay any outstanding loan balance to TRS within this 30-day period, the total balance would be transferred to your new retirement system. (To be eligible to transfer your TRS membership while on a leave of absence, your leave must be unpaid.)

FOR TIERS III, IV, AND VI ONLY

Resignation/Termination/Membership Transfer

If you have an outstanding and/or defaulted QPP loan balance when you resign or are terminated, you would be given a 30-day period in which to fully repay the balance. If you transfer your membership to an eligible New York City or New York State public retirement system and do not fully repay your total outstanding and/or defaulted loan balance to TRS within this 30-day period, the total balance would be transferred to your new retirement system.

If your total outstanding loan balance is not repaid within the 30-day period, or transferred to a new retirement system:

- If you are *vested*, you would be enrolled automatically in a monthly payment plan, provided that your loan(s) has not been outstanding for five years or longer.
- If you are *not vested*, your total outstanding QPP loan balance would be considered in default (see "Defaults" section).

FOR ALL TIERS

Tax Consequences of Distributions

Generally, loans are not taxable. Please note the following tax information on loans that are deemed distributions:

- The total taxable portion of the deemed distribution would be subject to federal income taxes and may be subject to state and local taxes; TRS suggests that you consult a tax advisor.
- If you live outside of New York State, state and city taxes may also apply.
- You may incur an IRS-imposed 10% penalty on any taxable portion of the deemed distribution if your service is terminated prior to the year in which you reach age 55, or if the deemed distribution occurs before you reach age 59½.

Except for defaulted loans, all or part of the taxable amount of a QPP loan balance that is deemed a distribution may be rolled over to one or more eligible IRAs or other successor program(s) within 60 days of notification by TRS. Any amount that is rolled over would not be taxable until it is distributed to you. If you would like to roll over any portion of your eligible amount, you must provide the funds to do so.

Please note the following tax information on loans taken at retirement:

- If you have an existing outstanding loan balance at retirement, it would be deemed a distribution.
- New QPP loans taken at retirement are deemed distributions and are not repaid to TRS.
- IRS regulations require TRS to withhold 20% of the taxable amount of a new loan taken at retirement that you do not directly roll over. TRS would send the amount withheld to the IRS as credit toward your federal income taxes for the year of distribution.
- If you have an existing outstanding loan balance at retirement and you take a new loan, TRS is required to withhold an amount equaling 20% of the taxable portions of any existing loan balance and of any new loan amount that you do not instruct us to directly roll over.
- If you receive a loan at retirement as a Direct Cash Payment, the withholding from the existing outstanding loan balance must be taken, even if all or part of the new loan is tax-free. If the total withholding amount exceeds the amount of your new loan, TRS would issue you a check in the minimum amount of $10. If you are a Tier I or II member, any remaining withholding deficit would be applied to any subsequent excess withdrawal you receive directly in the same tax year; this withholding would be taken in addition to any withholding that would ordinarily be applied to an excess withdrawal you receive directly.

FOR TIERS I AND II ONLY

Interest

You would be charged the applicable interest on your outstanding loan balance at the rate in effect at the issuance of your loan. At the time this brochure was published, the annual rate was 6%.

If you are in active service, your new QPP loan would be separately insured against your death, at no cost to you, with the following conditions:

- Insurance coverage begins 30 days after a loan is issued.
- From 30 to 59 days after a loan is issued, 25% of the balance is insured, up to a maximum of $10,000.
- From 60 to 89 days after a loan is issued, 50% of the balance is insured, up to a maximum of $10,000.
- Beginning 90 days after a loan is issued, 100% of the balance is insured, up to a maximum of $10,000.

The above insurance coverage would be applied to any loan balance outstanding upon your death. If any balance still remains, it would be deducted from your ASF (and the balance in the employee portion of your AMCs, if applicable); this would reduce any QPP benefits payable to your designated beneficiaries. Insurance coverage on your loan would end as of your effective retirement date or if you default on the loan.

Repayment

With the exception of a loan taken at retirement, your QPP loan generally must be repaid within four years (48 months) of the date the loan was issued. If you are an in-service member, loans are normally repaid through payroll deductions. **(If your payroll deductions do not commence as indicated on your loan statement, or if they are unexpectedly interrupted, you must immediately notify TRS.)** Please note that you would be responsible for any interest charges that accrue during the period when payments were due but not received by TRS. (If you are employed by the United Federation of Teachers (UFT) or the Council of School Supervisors & Administrators (CSA), your union would deduct the appropriate amounts from your paychecks and provide monthly loan payments directly to TRS on your behalf.)

If you are an in-service member, you may submit a partial lump-sum payment to reduce your loan balance. (However, partial payments will not stop payroll deductions.) This payment would be made in addition to your regularly scheduled payments. To make a partial lump-sum payment, please submit a check payable to the "Teachers' Retirement System of the City of New York" with a written request to have your repayment period changed (if it would not exceed 60 months) and/or to change the amount of your regularly scheduled payments. Once TRS receives your payment and written request, your loan balance would be recalculated. If TRS receives your partial lump-sum payment without a written request, your payment would be applied to your loan balance; however, the amount of your regularly scheduled payments would be unaffected. Please note that, if you request to change the terms of your loan, a service charge would apply.

If you want to repay your total outstanding balance in a lump sum, you would need to file a "QPP Loan Repayment Request Form" (code LO11q). Upon receipt of that form, TRS would calculate the total amount required to repay your outstanding loan balance and send you written notification of the repayment amount and payment instructions.

In certain cases, if you are an in-service member and make a lump-sum payment in June or July (after summer paychecks with loan payment deductions have been issued), you would later be refunded those summer payments. You may avoid loan payment deductions for the summer months by filing a "QPP Loan Repayment Request Form" by the last business day in February.

For CUNY Employees Paid on the New York State Payroll

If you are employed by CUNY and are paid on the New York State payroll, TRS would receive payment for only one outstanding QPP loan through automatic payroll deductions. For any additional QPP loan balance, CUNY members must make monthly payments directly to TRS. Payments are due to TRS no later than the 15th of the month. In general, direct monthly payments would be required for the duration of the loan.

Defaults

With the exception of a loan taken at retirement, your QPP loan would be in danger of default if you have an outstanding loan balance five years (60 months) after the loan's issuance date, or if your total past due is equal to or greater than the equivalent of one quarterly payment or three regular monthly payments. If any of the above occurs, TRS would request that you submit full repayment of the total outstanding balance (including interest). If TRS does not receive full repayment by the date requested, you would default on your QPP loan(s); the loan(s) would be closed and the total defaulted balance would be charged against your QPP accumulations. The total defaulted balance would be deemed a distribution; this information would be provided to the IRS (see "Tax Consequences of Distributions" section).

FOR TIERS III, IV, AND VI ONLY

Service Charge

A non-refundable service charge would be added to each QPP loan you take, to cover the administrative costs of issuing a loan. At the time this brochure was published, the service charge was $30. You may incur an additional service charge for any requested action that necessitates a recalculation of your repayment amount.

Interest

You would be charged the applicable interest on your outstanding loan balance at the rate in effect at the issuance of your loan. At the time this brochure was published, the annual rate was 7%.

Insurance

If you are in active service, your new QPP loan would be fully insured against your death 30 days after your loan is issued. Prior to that date, there would be no insurance coverage.

Insurance premiums of 0.2% would be included in your regular loan payments, as long as you maintain an outstanding balance and your loan is not in default.

Any uninsured loan balance outstanding after you die would be deducted from your MCAF account (and the balance in the employee portion of your AMCs, if applicable); this would reduce any QPP benefits payable to your beneficiaries. Insurance coverage on your loan would end as of your effective retirement date or if you are in default on the loan.

Repayment

With the exception of a loan taken at retirement, your QPP loan must be repaid within five years (60 months) of the date the loan was issued. If you are an in-service member, loans are normally repaid through payroll deductions of at least 2% of your contractual salary. **(If your payroll deductions do not commence as indicated on your loan statement, or if they are unexpectedly interrupted, you must immediately notify TRS.)** Please note that you would be responsible for any interest and insurance charges that accrue during the period when payroll deductions were expected but not received by TRS. (If you are employed by the United Federation of Teachers (UFT) or the Council of School Supervisors & Administrators (CSA), your union would deduct the appropriate amounts from your paychecks and provide monthly loan payments directly to TRS on your behalf.)

If you are an in-service member, you may submit a partial lump-sum payment to reduce your loan balance. (However, partial payments will not stop payroll deductions.) This payment would be made in addition to your regularly scheduled payments. To make a partial lump-sum payment, please submit a check payable to the "Teachers' Retirement System of the City of New York" with a written request to have your repayment period changed (if it would not exceed 60 months) and/or to change the amount of your regularly scheduled payments. Once TRS receives your payment and written request, your loan balance would be recalculated. If TRS receives your partial lump-sum payment without a written request, your payment would be applied to your loan balance; however, the amount of your regularly scheduled payments would be unaffected. Please note that, if you request to change the terms of your loan, a service charge would apply.

If you want to repay your total outstanding loan balance in a lump sum, you would need to file a "QPP Loan Repayment Request Form" (code LO11q). Upon receipt of that form, TRS would calculate the total amount required to repay your outstanding loan balance and send you written notification of the repayment amount and payment instructions.

In certain cases, if you are an in-service member and make a lump-sum payment in June or July (after summer paychecks with loan payment deductions have been issued), you would later be refunded for those summer payments. You may avoid loan payment deductions for the summer months by filing a "QPP Loan Repayment Request Form" by the last business day in February.

For CUNY Employees Paid on the New York State Payroll

If you are employed by CUNY and are paid on the New York State payroll, TRS would receive payment for only one outstanding QPP loan through automatic payroll deductions. For any additional QPP loan balance, CUNY members must make monthly payments directly to TRS. Payments are due to TRS no later than the 15th of the month. In general, direct monthly payments would be required for the duration of the loan.

Defaults

With the exception of a loan taken at retirement, your QPP loan would be in danger of default if (a) you have an outstanding loan balance five years (60 months) after the loan's issuance date; or (b) your total past due amount is equal to or greater than the equivalent of three regular monthly payments; or (c) you are not vested and you resign or are terminated with an outstanding QPP loan balance. If any of the above occurs, TRS would request that you submit full repayment of the total outstanding balance (including interest and insurance charges). If TRS does not receive full repayment by the date requested, or your loan balance is not transferred, you would default on your QPP loan(s). Your insurance would be terminated and your total defaulted loan balance would be deemed a distribution; this information would be provided to the IRS (see "Tax Consequences of Distributions" section).

Any defaulted QPP loan balance would remain due. This balance would continue to accrue interest until it is repaid to TRS, or until you retire, when it would be charged against your QPP retirement benefits. In addition, if a defaulted QPP loan balance remains unpaid, it may eventually equal or exceed the funds in your MCAF that may otherwise be available for withdrawal. If you are an active member, you would be ineligible for any new QPP loans until you repay your defaulted balance.

For your convenience, TRS forms and publications are available on our website.
If you require additional assistance, we encourage you to contact our Member Services Center at 1 (888) 8-NYC-TRS.

This publication should not be solely relied upon, as it is based on currently available information that is subject to change. TRS suggests that you consult with an attorney and/or a tax advisor if you have any specific legal or tax questions concerning this information. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.

trsnyc
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