

# QPP Loans



**One of the many benefits provided by TRS is the ability to borrow against your Qualified Pension Plan (QPP) accumulations. This brochure highlights the important features of the QPP loan program.**

## ELIGIBILITY

You may be eligible for one or more QPP loans if you are an in-service member (active or on a leave of absence) with at least one year of TRS membership service, and you are not currently in default on a QPP loan.

You may take one QPP loan within a 12-month period, and you may have up to five outstanding QPP loans at once.

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. Generally, the minimum QPP loan amount that you may borrow is \$1,000. However, you may borrow a minimum of \$250 if you have an existing QPP loan; your total outstanding QPP loan balance must be at least \$1,000.

- In general, the maximum new QPP loan amount you may request is limited to the **least** of the amounts described in restrictions **A**, **B**, and **C**.
- If you take a loan at retirement, the maximum is the amount described in restriction **B**.

- A.** \$50,000, less your highest combined loan balance during the previous 12-month period from the QPP, Tax-Deferred Annuity (TDA) Program, and New York City Deferred Compensation Plan (DCP) loan programs.
- B.** 75% of your QPP account balance, less any outstanding QPP loan balance.
- C.** The greater of (i) 50% of the combined value of all your TRS accounts (QPP and TDA), less any outstanding QPP and TDA loan balances, or (ii) \$10,000, less any outstanding QPP and TDA loan balances.

TRS will also limit your maximum loan amount so that the total per-installment payment amount on all TRS loans does not exceed your net pay.

Note: In restriction **B**, the QPP account balance includes MCAF plus AMC employee portion for Age 55 Retirement Program participants only. In restriction **C**, the QPP account balance also includes any ASAF balance. Please see your Quarterly Account Statement for details on these accounts.

The value of your accounts is based on your most recent account balances. 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 DCP 401(k) 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 will 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, 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.

To find out the amount you are eligible to borrow or any loan balances, please log in to the secure section of our website.

## LOAN APPLICATIONS

You can apply for a QPP loan in the secure section of TRS' website. Alternatively, you may file a paper "QPP Loan Application" (LO6), but the processing time may be longer. If you file for a QPP loan in conjunction with annuitizing your QPP funds, you must file a paper "QPP Loan Application" or e-form equivalent.

Loans are paid by Electronic Fund Transfer (EFT) to the bank account on file with TRS. For non-retired members paid on the New York City payroll, this is normally the account that receives your paychecks.

If TRS does not have EFT information on file for you, your loan may be issued by check but processing may be delayed.

TRS issues loans each Friday. Generally, loans are issued within two weeks of receipt of the member's application. The cutoff for online applications is Sunday at 11:59 p.m. The cutoff for paper filings is Wednesday (or the first business day of the week in the case of a holiday).

If you file for a loan at retirement, you must file a paper "QPP Loan Application" or e-form. TRS must receive your application no later than one business day prior to your effective retirement date. In this case, your loan will 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 will 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 "Cancellation Request Form" (code MI5) or e-form equivalent 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.

If your cancellation request is not received by the appropriate deadline, TRS will process your loan application.

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

## INTEREST

You will be charged monthly interest on your outstanding loan balance. At the time this brochure was published, the annual rate was 6%. The interest rate in effect when the loan is issued will be applied for the entire term of the loan.

## SERVICE CHARGE

A non-refundable service charge will be added to each QPP loan you take, to cover the administrative costs of issuing a loan. Effective December 1, 2025, the service charge is \$55. You may incur an additional service charge if you request a recalculation of your repayment amount.

## INSURANCE

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

Insurance premiums of 0.1% will be included in your regular loan payments, as long as you maintain an outstanding balance and your loan is not in default.

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

## REPAYMENT

Except for new QPP loans taken at retirement, all QPP loans 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 notify TRS immediately.**

Please note, you will 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 will deduct the appropriate amounts from your paychecks and provide monthly loan payments directly to TRS on your behalf.)

**Partial payments:** To reduce your loan balance, you may submit a partial lump-sum payment in addition to your regularly scheduled payments. Partial payments will not stop payroll deductions and will not change the amount of your regularly scheduled payments. You can make partial payments online in the secure section of our website.

**Reamortization requests:** If you want to change the terms of your loan (*e.g.*, amount or duration of payments), you must submit a written request to TRS.

A service charge will be applied to the reamortization of your loan.

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

### 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 will continue to accrue on the unpaid balance. If you have outstanding loans when your leave begins, the grace period will 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 will begin upon issuance of the loan, unless you elect on your loan application to begin making regular payments instead.

If you take advantage of the 12-month grace period, your loan payment amount will include the interest and insurance charges that will accrue during this time. In addition, your payments will 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 allows you to avoid paying additional interest and any applicable insurance charges that 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 monthly QPP loan payments after the grace period in order to avoid defaulting on your loans. TRS will provide you monthly loan statements with payment instructions. Online payments are recommended, but you may also pay by check.

**Transferring Your Membership While on Leave:** 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 will be given a 30-day period

in which to fully repay any outstanding loan balance. If you do not make full payment, the total balance will 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 CUNY Employees Paid on the New York State Payroll**

TRS will 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. TRS will provide you monthly loan statements with payment instructions. Online payments are recommended, but you may also pay by check. In general, direct monthly payments will be required for the duration of the loan.

## **LEAVING ACTIVE SERVICE**

### **Retirement**

You may not maintain an outstanding or defaulted QPP loan balance after retiring. Any balance you have on your effective retirement date will be deducted from your QPP accumulations, and it will also reduce the amount of the retirement allowance you would otherwise receive.

An outstanding loan balance at retirement will be considered a distribution; this information will be provided to the IRS (see “Tax Consequences of Distributions” section). If you elect to repay an outstanding loan balance at retirement, TRS must receive your payment at least one business day before your planned retirement date.

Any new QPP loan taken at retirement will not be repaid to TRS. Instead, it will be considered a distribution; this information will be provided to the IRS. You will have the following three options for 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 programs; 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).

### **Resignation/Termination/Membership Transfer**

If you have an outstanding or defaulted QPP loan balance when you resign or are terminated, you will be given a 30-day period in which to repay the full 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 or defaulted loan balance to TRS within this 30-day period, the total balance will 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 will be enrolled automatically in a monthly payment plan, provided that your loans have not been outstanding for five years or longer.
- If you are *not vested*, your total outstanding QPP loan balance will be considered in default (see “Defaults” section).

## **DEFAULTS**

Except for new QPP loans taken at retirement, all QPP loans are in danger of default if (a) there is an outstanding loan balance five years (60 months) after the loan’s issuance date; or (b) the total past due amount is equal to or greater than the equivalent of three regular monthly payments; or (c) a non-vested member separates from service (resigns or is terminated) with an outstanding QPP loan balance.

If any of the above occurs with your QPP loan, TRS will 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 will default on your QPP loan. Insurance will be terminated, and the total defaulted loan balance will be considered a distribution; this information will be provided to the IRS (see “Tax Consequences of Distributions” section).

**Any defaulted QPP loan balance will remain due.** This balance will continue to accrue interest until it is repaid to TRS, or until you retire, when it will 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 in-service member, you will be ineligible for any new QPP loans until you repay your defaulted balance.

## TAX CONSEQUENCES OF DISTRIBUTIONS

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

- The total taxable portion of the distribution will 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 distribution if your service is terminated prior to the year in which you reach age 55, or if the distribution occurs before you reach age 59½.

Any taxable portion of a QPP loan balance that is considered a distribution may be rolled over to an IRA or other successor program, subject to IRS requirements. Any amount that is rolled over will 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. Defaulted loans (which are classified as “deemed distributions”) are not eligible for rollover.

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

- If you have an outstanding loan balance at retirement, it will be considered a distribution.
- New QPP loans taken at retirement are considered 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 will send the amount withheld to the IRS as credit toward your federal income taxes for the year of distribution.
- If you have an 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 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. If the total withholding amount exceeds the amount of your new loan, TRS will issue you a payment in the minimum amount of \$10.

In general, TRS will notify you by letter and provide a 30-day repayment period to prevent having an outstanding TDA loan balance become a taxable distribution.



### **NOTE FOR MEMBERS IN TIER I OR TIER II**

Certain rules about QPP loans are different for members in Tier I or II. Below is a summary of the major differences.

- Loans must be repaid within four years (48 months). The minimum loan amount is \$250 in all cases.
- The service charge does not apply on new loans or reamortization requests.
- Loans are insured beginning 30 days after issuance, up to a maximum of \$10,000; there is no cost to the member.
- Members who are not in active service must make quarterly payments on their loan balance.
- Defaulted loan balances are charged against the member's QPP accounts, and any defaulted balance is considered a taxable distribution.

*This publication should not be solely relied upon, as it is based on currently available information that is subject to change. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.*



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