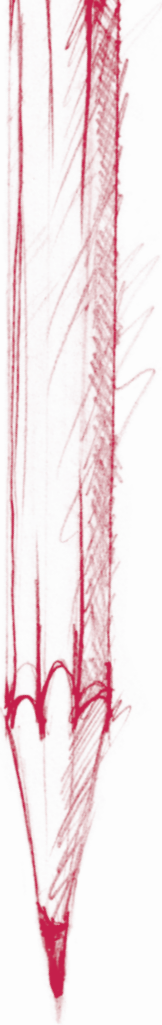


# Tier Enhancement Loan Program



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The Board of Education  
Retirement System  
of the City of New York

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## INTRODUCTION

*If you are a Tier II or Tier III/IV member of the Board of Education Retirement System (BERS), who elected to participate in the Tier Enhancement Program(55/25), there is a loan program available to you based on the additional contributions required by 55/25. If you joined the BERS on or after June 28, 1995, you are mandated by law into the 57/5 Tier Enhancement Program, and also eligible for this loan program. This brochure highlights the important features of the QPP loan program for Tier Enhancement members. This loan program is separate and apart from any other loan program in which you are eligible to participate. The loan program is administered in accordance with the IRS Rules and Regulations, the Administrative Code of the City of New York and Administrative Provisions adopted by BERS and its Board of Trustees.*

## TYPE OF LOAN

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This is a plan loan that uses your account as collateral. When the loan check is drawn, your account balance is **not** reduced by the amount of the loan.

## LOANS FROM THE QUALIFIED PENSION PLAN

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**Eligibility** - If you are a Tier II or a Tier III/IV member in active service or on leave of absence with pay, have at least one year of membership service, have made additional contributions to the 55/25 or 57/5 Tier Enhancement Program, have not taken a Tier Enhancement loan in the last twelve months, and not in default in any BERS loan program, you are eligible to take a loan.

**Note** - If you have a balance from a previous loan when you apply for a new loan, your new loan will include an amount necessary to pay off the previous loan.

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**Minimum Loan Amount** - The minimum loan amount is \$1,000. If you have an existing outstanding loan, the minimum amount you may borrow is \$250 provided the sum of the existing loan and new loan total \$1,000.

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**Maximum Loan Amount** - If you are contributing to the 55/25 or 57/5 Program and are a Tier II or Tier III/IV member with 5 or more years of credited service, your maximum available loan is the lesser of (a) or (b) below. If you are contributing to the 55/25 or 57/5 Program and are a Tier II or Tier III/IV member with less than 5 years of credited service, your maximum available loan is the least of (a), (b) or (c) below:

(a) \$50,000 less your highest combined QPP, TDA, and 55/25 or 57/5 outstanding loan balance during the last twelve months; or

(b) 75% of your 55/25 or 57/5 Tier Enhancement Member Contributions account less your current outstanding loan balance; or

(c) The greater of (1) 50% of your QPP, TDA, and 55/25 or 57/5 accounts; or (2) \$10,000 less your current combined outstanding loan balance.

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**Interest** - The interest rate for all 55/25 or 57/5 Tier Enhancement loans taken after June 30, 1999 is 7%. If you request a new loan, any outstanding loan balance will be considered as part of the new loan at 7% interest. If you have an outstanding loan balance for a loan taken prior to July 1, 1999, and have not taken another loan since then, your loan interest is 7<sup>3</sup>/<sub>4</sub>%.

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**Duration** - The maximum repayment period for all 55/25 or 57/5 Tier Enhancement loans is 48 months.

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**Repayments** - The amount borrowed together with interest, the insurance premium and the service charge is repaid in regular installments. Repayments are generally made through payroll deductions. If you are not receiving paychecks (i. e. you are on leave of absence without pay), you must request to make monthly repayments directly to the BERS. Monthly payments made directly must agree with the amount calculated when the loan is initiated.

**Note** - Your minimum loan repayment cannot be less than 2% of you gross salary per paycheck.

A lump sum payment option to pay off an outstanding loan balance is also available. To make a lump sum payment, contact BERS to request a lump sum payment amount, and the payment due date. Partial payments over your minimum repayment are allowed, and will result in a \$40 fee to recalculate a new loan repayment.

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**Service Charge** - There is a \$40 non-refundable service charge to process or recalculate a loan. This charge is used to pay for the operation of the Tier Enhancement loan program. The service charged will be considered an additional loan amount when calculating the terms of the loan (repayment and duration). For example, if you are eligible for, and you request a \$50,000 loan, you will receive a check for \$49,960 to avoid exceeding the \$50,000 loan maximum, when the \$40 service charge is added to the loan. If you are eligible for, and you request a \$10,000 loan, you will receive a check for \$10,000.

Repayments will be calculated on \$10,040 (the \$40 service charge plus the loan amount). You also have the option to pay the service charge by certified check or money order (personal checks will not be accepted), when you apply for the loan to avoid having the service charge included in the monthly repayment amount.

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**Insurance** - There is an insurance premium of 0.3% for all Tier Enhancement loans. This insurance premium will be considered when calculating your repayment amount when you apply for the loan. Your new loan will be fully insured 30 days after the date of your loan check. Upon your death 30 days or later after the loan is disbursed, your outstanding loan balance is forgiven. The insurance rate may change based on a review of the BERS membership and mortality experience performed by the Office of the Actuary. Insurance is discontinued for any loan that goes into default.

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**Defaults** - Your loan will be considered in default if no payments are received within any 90 day period. If deductions from your paycheck do not begin on the date indicated in your loan letter, please contact BERS immediately to ensure that deductions begin with your next paycheck. It is your responsibility to inform BERS of changes in your payroll status which may affect BERS' ability to take loan deductions from payroll. If your loan goes into default a 1099R will be issued for the taxable portion of the defaulted loan, that will also be reported to the Internal Revenue Service. There may be tax consequences associated with this distribution.

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**Retirement** - An outstanding loan at retirement is considered a distribution, unless the outstanding loan is fully paid at the time of retirement. If a distribution occurs, you will receive a 1099R for the taxable portion of the distribution, that will also be reported to the Internal Revenue Service. There may be tax consequences associated with this distribution.

**Note** - Any outstanding loan that is considered a distribution, or any loan that is outstanding at retirement, will reduce your entitlement to an annuity from the Tier Enhancement Program.

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**Resignation/Termination** - If you resign or are terminated and you have an outstanding loan, you must 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. An outstanding loan that goes into default will be considered a distribution. The distribution will result in a 1099R that will also be reported to the Internal Revenue Service. There may be tax consequences associated with this distribution.

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**Transfers** - If you transfer to another public retirement system, your outstanding loan will also be transferred, provided the new retirement system is willing to accept the outstanding loan. If the new retirement 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, and a 1099R will be issued for the outstanding loan that will also be reported to the Internal Revenue Service. There may be tax consequences associated with this distribution.

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**Death** - If you have an outstanding loan balance at the time of your death, your loan will be forgiven in accordance with the insurance provision on page 4.

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**Loan Information** - Your “Statement of Accounts” will include information concerning your loan activity, availability and loan status. You may also request a loan inquiry from BERS any time during the year.

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For additional information and forms, please contact BERS at the address and/or phone number listed on the back of this brochure.

*This information should not be considered legal or tax advice. For such advice we suggest you contact your legal or tax consultant.*

*The information provided is based on our understanding of IRS Rules and Regulations, the Administrative Code of the City of New York, and the Administrative Provisions adopted by BERS. If any of this information is in conflict with any laws, rules and regulations, it is the laws, rules and regulations that will govern.*

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**800-843-5575** (outside New York State)