

ICMA-RC 457 Deferred Compensation Plan New Loan Option

With the recent approval of the City Council, the City has amended its ICMA-RC 457 Deferred Compensation Plan, by incorporating the payroll-deducted 457 Plan Loan option, implemented through ICMA-RC, under Internal Revenue Service regulations.

City employees with a balance in their ICMA-RC 457 Deferred Compensation Plan can now apply directly to ICMA-RC for a loan amount of up to 50% of their 457 Plan account balance, not to exceed \$50,000. Only one loan per calendar year is allowed and only one outstanding loan at a time is permitted under the plan. Effective July 1, 2009 outstanding loans can be refinanced up to (2) times per year.

Repayment of the loan must be made by substantially equal payments of principal and interest, only through bi-weekly payroll deductions each pay period, and must not exceed 5 years for general purpose loans or 10 years for principal residence loans. Also, any remaining loan balances are due and payable in full before an employee's cessation from City service. After that time, loan balances are considered in default and become a taxable distribution at that time.

Current fees include a \$50 non-refundable application fee and a \$35 annual maintenance fee. The current applicable interest rate is Prime + .5% for general loans of 5 years or less. The interest rate for principal residence loans is based on FHA/VA rates.

Loan applicants need to read and understand all the information regarding the loan provisions, which will be provided to them upon applying for a loan. A copy of the general loan provisions will be maintained in the Human Resources Department.

Applicants may apply directly to ICMA-RC for a loan from their 457 Plan, at www.icmarc.org. or by calling ICMA-RC toll free at **1-800-669-7400**. Applicants applying online can complete the entire loan application process. Applicants calling ICMA-RC will be provided by mail with a **457 Plan Direct Loan/Refinance Form Packet** to be completed and returned to ICMA-RC. If you have any questions, please contact me 871-5206 or by email at SharonP@cityofpsl.com and remember that in H.R., ***We're Here For You!***

Sharon Pack
Assistant Director, HR