URS 401(k)/457 Loan Program

URS
Utah Retirement Systems

Loan Options

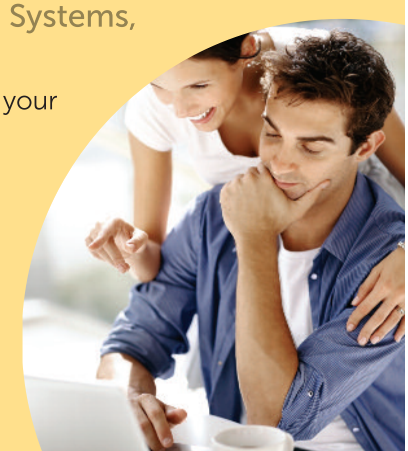
If you have a 401(k) or 457 with Utah Retirement Systems, you may be eligible to participate in the URS Loan Program.

This brochure is designed to answer your questions regarding loans from your URS 401(k) and/or 457 Savings Plans. It also outlines points you should consider before taking a loan.

Your employer must participate in the URS Loan Program for you to establish a loan.

To determine whether your employer participates, visit www.urs.org or call our office at **801-366-7720** or **800-688-401k**.

You can estimate a loan payment using our loan calculator or obtain additional information regarding loans at **www.urs.org**.



URS 401(k)/457 **Loan Program**

Debt is Debt

The purpose of the 401(k) and 457 plans is to help you save for retirement; however, borrowing from your 401(k) and 457 plans is also an option.

Remember:

- Whenever you make a purchase using debt, you tie up a portion of your saving power until the debt is paid.
- It is advisable to only take loans for emergencies.
- While most purchases can be planned, it's nice to know you have a back-up source of income for unexpected expenses.

Be sure to read the "Frequently Asked Questions" section of this brochure before deciding whether to take a loan from your account.

Loans by Phone—

To apply for a loan from your 401(k) or 457, call 801-366-7720 or 800-688-4015 and press "0." A counselor will assist you in preparing your loan. A promissory note will be mailed, or you may request it be faxed, to you. You must sign the promissory note in the presence of a notary public if the amount of the loan is over $5,000. When the completed promissory note is received by our office, a check will be mailed to you.

Loan Maximums

The IRS has set limits as to how much you may borrow from your account.

Your Account Balance	Loan Maximum
$0 to $1,999	**Not Allowed**
$2,000 to $100,000	**50% of Account Balance**
Over $100,000	**$50,000**

The $50,000 maximum loan amount is reduced by the highest loan balance during the past 12 months in any and all tax-deferred retirement plans. If you have or have had loans in other 401(k), 457, or 403(b) plans during the prior 12 months, the highest outstanding loan balances in those plans reduce the maximum balance available with URS. Because URS may not have record of your other tax-deferred plans, it's your responsibility to account for these types of loans when requesting an additional loan.

For those in the Tier 2 Hybrid Retirement System or the Tier 2 Defined Contribution Plan, any Tier 2 employer required contributions are restricted from being used for a loan. However, Tier 2 vested employer required contributions can be used to determine the amount available for a loan.

Example 1

Julie has the following balances in her retirement plans and has not taken any other retirement plan loans during the past 12 months.

	Balance	Eligible Loan Amount
URS 401(k)	$ 70,448	$35,224
URS 457	$115,778	$50,000

Julie is eligible to borrow from her 401(k) and/or her 457 account, but the combined total available from both plans cannot exceed the $50,000 loan maximum established by the IRS.

Example 2

Barbara has not had other retirement plan loans and has the following balances in her accounts:

	Balance	Eligible Loan Amount
URS 401(k)	$10,500	$5,250
403(b) TSA	$68,000	$34,000

In this example, Barbara may take both loans—$5,250 from her 401(k) account and $34,000 from her 403(b). Together the loans equal $39,250, which is well within the $50,000 maximum. Also, when calling URS for either a 401(k) or 457 loan, Barbara must disclose the amount of her highest 403(b) loan balance during the previous 12 months.

Frequently Asked Questions About the URS 401(k)

What is the interest rate?

The interest rate is the prime rate plus 1% as reported in the *Wall Street Journal* at the beginning of each quarter. The interest rate is fixed for the duration of each loan.

Is there a processing fee?

There is a one-time, non-refundable processing fee of $60 per loan. The fee is deducted from your account balance when your signed promissory note is received and processed by URS.

How many years can I take to repay my loan?

The length of loan repayments can be up to five years. If the loan is for the purchase of your primary residence, loan repayments can be up to 10 years (a purchase does not include mortgage payments, refinances, or second home loans). If the loan is for the purchase of your primary residence and you want the payments to exceed five years, supporting documentation may be required (i.e., a copy of your good faith estimate).

What is the repayment method?

Payments are made through payroll deduction. The payments are made with after-tax wages and are deducted from each paycheck. For example, if you are paid every two weeks, you will have 26 payments each year.

Can I pay off my loan early?

You can make additional payments to the loan principal. Payments must be for at least $500 or the payoff amount, if less. There is no prepayment penalty for early payoff.

What if I already have a 401(k) or 457 loan with URS?

You are eligible to have one outstanding loan in each of the 401(k) and 457 plans (not to exceed the IRS loan maximums).

Are my interest payments tax deductible?

Generally, no. For more information, consult a tax advisor.

Example 3

Cory has a current 401(k) loan of $5,000. His highest balance outstanding during the previous 12 months was $6,500. He would like to take an additional loan from his 457 plan:

	Balance	Eligible Loan Amount
URS 401(k)	$ 30,000	Current loan outstanding
URS 457	$120,000	$43,500

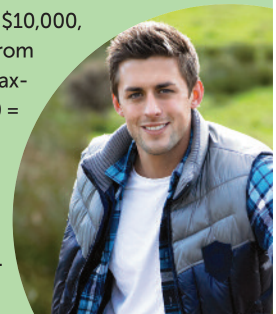
Because Cory has had a 401(k) loan balance of $6,500 during the prior 12 months, he is only eligible for a 457 loan in the amount of $43,500.

Example 4

Daniel is part of the Tier 2 Retirement System and has never taken a loan from any retirement plan before. He would like to take the maximum loan available.

	Vested Employer Required Contributions	Total Balance	Eligible Loan Amount
URS 401(k)	$13,000	$20,000	$7,000

Fifty percent of Daniel's account is $10,000, but because $13,000 is restricted from being used for the loan, Daniel's maximum is $7,000 ($20,000 - $13,000 = $7,000). Vested employer required contributions can be used to determine the amount eligible for a loan, but they are restricted from being used for the loan itself.



/457 Loan Program

How does a loan affect my account?

The amount of the loan is transferred from your investment funds to a loan account. Therefore, if the stock or bond funds perform well, you may be missing additional growth potential on your account. As the loan is repaid, the collateral account balance is decreased by the amount of principal repaid. The principal and interest paid are deposited into your investment options according to your investment allocation for future contributions.

What happens to my loan if I leave my employer (due to retirement, separation from service, or disability)?

If you stop working for a participating employer, you have three options for your outstanding loan.

1 **Automated Clearing House (ACH) Payments:** You can set up a monthly debit from an account at your financial institution to continue making payments on your loan. The ACH loan repayment program is only offered to those who have outstanding 401(k) or 457 plan loans and are not able to make payroll deductions through a participating URS employer.

Participating in the ACH program does not supersede the terms of the original promissory note you signed, however, the repayment amount may be recalculated to a monthly payment necessary to repay the loan in the length of time specified in the promissory note. You must agree to allow monthly loan payments be automatically debited by URS on the 15th of the month (or next closest bank business day) from the financial institution you have chosen. To initiate an ACH payment you must submit a *401(k)/457 Loan ACH Application*.

2 **Default:** An outstanding 401(k) or 457 loan becomes due when you leave your employer. If the loan balance is not paid within the cure period, the loan is considered in default and treated as a withdrawal. When your loan is in default, it becomes taxable as income in the year of default and may be subject to early withdrawal penalties. If you wish to avoid default, you must set up ACH payments or pay off your loan before the cure period ends. The cure period cannot continue beyond the last day of the calendar quarter following the calendar quarter in which the required loan installment payment is due.

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Rules

Other Loan Rules and Guidelines

- You must have a balance of at least $2,000 in the plan account from which you are taking the loan.
- You are eligible for one outstanding loan in each plan.
- Your employer must participate in the URS 401(k)/457 Loan Program.

Frequently Asked Questions
(continued)

3 **Payoff:** You can send in a check to pay off your loan. You are not required to submit a full payoff of your loan, partial amounts are accepted. Partial payoff amounts must be for $500 or more. However, any loan amount left outstanding (not paid off) will default and becomes subject to income taxes and possible penalties.

What if my account is a beneficiary or alternate payee account?

Beneficiary accounts and alternate payee accounts are not eligible for the loan program.

These accounts are often available for distribution or roll over and are not subject to a 10% early withdrawal penalty tax. Alternate payee accounts are derived from a domestic relations order (DRO).

Utah Retirement Systems
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www.urs.org

Revised 11/2012