

CONTRA COSTA COUNTY DEFERRED COMPENSATION PLAN – LOAN PROVISION EFFECTIVE JULY 1, 2012

Who is eligible for a Plan loan? An active employee who is a Participant in the Contra Costa County Deferred Compensation Plan (I.R.C. §457), and, whose Collective Bargaining Unit (if any) has elected to include the loan provision, is eligible to apply.

What is the minimum loan amount? The minimum loan amount is \$1,000.00.

What is the maximum loan amount? The maximum loan amount is the lesser of:

1. 50% of the Participant's vested account balance as of the day immediately preceding the date on which such loan is processed; or
2. \$50,000 reduced by the highest outstanding loan balance (if any) during the last twelve months ending on the day before the date the loan is processed.

What is the maximum number of loans allowed? The Plan allows for one loan to be outstanding at any time. The Plan does not allow for a new loan to be granted that incorporates the amount due on an existing loan.

What is the loan interest rate? The interest rate for loans is based on the Prime rate plus one percent (1%). The rate is fixed for the duration of the loan.

What is the loan application process? Participant applies for loan via the Empower Website www.contracosta457.com or the Voice Response Unit (VRU) 1-833-457-2626

Is spousal consent required for the loan? No, spousal consent is not required.

What types of loans does the Plan allow? The Plan allows for general purpose loans that can be used for any reason and have a maximum repayment period of 5 years.

How does having a loan impact my Deferred Compensation Plan account? The loan is funded directly from the Participant's deferred compensation account. The Loan distribution amounts will be prorated across all available money types and investment options, except for those funds, if any, in the Self Directed Brokerage Account (SDBA). When the Participant repays the loan, the payroll deduction loan payment is made with after-tax dollars and is applied to the principal and interest on the loan, reducing the loan balance. Repayments are directed to the Participant's current investment allocation in the same manner as deferral contributions.

Does a Participant have to qualify for a loan or have collateral in the same way as at a bank or credit union? No. The remainder of the Participant's Plan account serves as collateral as required by Federal law.

Are loans treated the same as distributions for tax purposes? Loans from the Plan and within the terms of the loan program are not treated as distributions as long as the loan is repaid within the terms of the loan. No taxes are withheld or due when a loan is received.

Is the interest paid on the loan tax deductible? No. The Participant pays interest to their own account; therefore, interest is not tax deductible, as it might be with a commercial loan.

What are the loan fees? Loan fees are charged by the loan administrator (currently Empower Retirement) and the County. The fees are:

1. Empower Retirement will charge a one-time loan origination fee of \$50. This amount will be deducted from the Participant's loan amount.
2. Empower Retirement will charge an administrative fee of \$25.00 per year/per loan, deducted quarterly at a rate of \$6.25 will be assessed to each participant's account.
3. The County will charge a one-time loan repayment set-up fee of \$25. This amount will be deducted from the paycheck.
4. The County will charge a loan maintenance fee of \$1.50 per month for each month you have a loan repayment. This amount will be deducted from the paycheck.

How are loans repaid? Loans are required to be repaid in full. Loan repayments are due and payable in accordance with the executed loan documents. While actively employed, loan repayments must be made through monthly payroll deduction on the pay warrant on or about the 10th of each month. Early repayment in full is allowed; however, partial prepayments are not allowed.

What effect does an unpaid leave of absence have on an outstanding loan?

During any period of time when a participant is not receiving a salary or amounts paid in lieu thereof (such as certain periods of layoff or leaves of absence) or the salary or other payment is insufficient to make the required repayment, the repayment is still required. During such periods participants have the option to:

1. Direct repayments may be made via cashier's check, certified check, or bank money order. Contact Empower Retirement for detailed instructions. .
2. If on a bona fide leave of absence, you may request to have repayments suspended. If approved, any form of compensation employee receives from

Contra Costa County during the leave of absence is subject to reduction by the amount of the employees loan.

3. Please contact Contra Costa County Employee Benefits Service Unit at 925-335-1746 for instructions.

What happens if a required loan repayment is not made on the repayment due date?

If a required repayment is not made by the end of the calendar quarter following the calendar quarter in which the repayment was due, the Loan plus any accrued interest will be in default and will be reported as taxable to the extent permitted by law.

What happens to the loan at the time of separation of service from Contra Costa County?

Upon separation of service from Contra Costa County (retirement, termination, resignation, layoff, etc.), the loan becomes due and payable no later than the last day of the month in which the participant receives their final compensation from the County. For the purpose of this paragraph, "final compensation" includes any payment for unused accrued leaves for which the participant may be eligible.

For additional information, please contact Empower Customer Service Center at 1-833-457-2626.