

KENTUCKY PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION AUTHORITY

PLAN I 457

**PARTICIPANT LOAN ADMINISTRATION PROCEDURES**

Effective January 1, 2002

1. The Kentucky Public Employees' Deferred Compensation Authority (Authority) shall be responsible for the approval and administration of all loans hereunder for the Kentucky Public Employees' Deferred Compensation Authority Plan I ("Plan").
2. Your employer must have implemented the steps necessary to deduct loan repayment amounts on an after-tax basis and submit them each pay date to the Authority.
3. Applications for a loan may be obtained from the Authority's Office. Applications for loans are accepted daily and will be processed as soon as possible. Applicants will be notified as soon as the loan proceeds are available and disbursements will be made upon execution of the proper documentation.
4. An eligible individual may borrow up to 50% of his/her vested Account Balance(s), but in no event shall the total loans under the Plan exceed \$50,000. If there is an existing loan, the available amount for the second loan will be the lesser of (a) 50% of the account balance less the outstanding loan balances from all sponsored plans on the date of distribution, or (b) \$50,000 less the highest outstanding loan balances from all sponsored plans within the last 12 months.
5. The minimum amount of any loan shall be \$1,000.
6. An individual may not originate more than one (1) loan in a calendar year. This single loan may come from either Plan I or II. An individual may not have more than a total of two (2) loans outstanding at any time regardless of whether such loans were originated under Plan I or Plan II. Refinancing of an existing loan is not permitted.
7. Loans may be processed from the individual's Account or Rollover Account. The individual shall select the Account(s) from which the loan proceeds will be withdrawn.
8. Loans may be processed from any investment option in which the Account(s) is currently invested. The Participant shall select the dollar amount of the accumulation investment option from which the loan proceeds will be withdrawn.
9. Participants will be charged an origination fee on each loan. **The Participant shall pay this fee by check or money order** at the time of the loan application. **CASH WILL NOT BE ACCEPTED.** The current origination fee is \$100.00. If a bank returns an origination fee check to the Authority for "Not Sufficient Funds" a one-time fee of \$50.00 shall be deducted from the Participant's account in addition to the \$100.00 Loan Origination fee deduction. In addition, an administrative fee will be charged for each loan from the Plan. This administrative fee will be deducted from the Participant's Account(s) with each repayment. The current administrative fee is as follows:

<u>Repayment Mode</u>	<u>Fee</u>
Weekly	\$ .50
Bi-Weekly	1.00
Semi-Monthly	1.00
Monthly	2.00
Quarterly	6.00

If timely repayment is not made, funds shall be exchanged from any existing option to the Loan Account for payment of any outstanding fees or charges.

10. All loans will be secured with up to one-half of the individual's Account Balance(s) from which the loan was processed.
11. All loans shall be for a term of one to five years.
12. Interest rates for loans will be set on the first business day of each calendar quarter and will apply to all loans approved during the following calendar quarter. The interest rate will be a rate equal to two percentage points above the prime rate as published in the Wall Street Journal on the first business day of the calendar quarter in which the loan is approved by the Administrator.
13. The interest rate charged on all loans shall be fixed for the life of the loan.
14. All loans shall be repaid through payroll deduction. Payroll deduction will continue during an individual's paid leave of absence. In the event an employee is on an unpaid leave of absence, he/she shall submit loan payments for the number of pay periods to be missed by the end of the current month in an amount equal to the then current payroll deductions which would have been taken for that time period. Checks for such repayment shall be made payable to the Kentucky State Treasurer and upon receipt shall immediately be deposited in the Authority Board of Trustees (Board) account.
15. Full repayment of a loan may be made at any time. No partial prepayment or partial payments will be accepted. No penalties shall be charged on prepaid loans.
16. Loan payments shall be returned to the Account(s) according to the Participant's current (or last) 457 allocation of deferrals. In lieu of the foregoing, the participant may select one investment option to which all repayments (net of charges) should be reinvested.
17. The Authority may consider a loan in default under either of the following situations - a pattern of missed payments (under exceptional unforeseeable circumstance, a 30-day "Repayment Grace Period" may be granted by the Authority); scheduled payments are missed for 90 consecutive calendar days. Any missed payment must be included with the next payment due under the loan. **NOTE:** In the event of your death any outstanding loan balance will automatically result in a default on your loan. Such a default will cause your estate to sustain a tax liability on the defaulted portion of your loan. This means your estate will become responsible for the payment of any resulting taxes.
18. Upon termination of employment or retirement, repayment amounts may be continued by personal check.
1. 19. Upon default under the terms of a loan, the outstanding balance of the loan shall be deemed a distribution in the taxable year in which the default occurs. Such distribution shall be fully taxable and subject to any penalties imposed by the Internal Revenue Service. **In addition, your account will be assessed a \$50.00 fee when the loan is defaulted. Should a loan default occur, the Participant will not be eligible for any subsequent loans.**
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20. All decisions concerning loans shall be made by the Authority, or its designated representative, and shall be final without subject to appeal.
21. The Board may change the amount of any fees or charges as they pertain to the approval of any new loan by posting new Participant Loan Administration Procedures.