DEFERRED RETIREMENT WITH LOANS

Background - CMC 203-33 requires that for deferred retirements, if a member has a retirement loan outstanding at the time of leaving service, the loan must be paid in full prior to reaching age 60, or within one year of leaving city service, whichever comes first. If a member is unable to pay within one year the following choice exits:

1) the member can have the balance of contributions refunded directly as specified in Section 203-57;
2) the member can have the balance of contributions rolled over into another qualifying plan, including the Public Employees Retirement System as specified in Section 203-59;

We are proposing a policy which has more flexibility, which will allow a deferred retiree to maintain their vested benfits, and which

The following is recommended:

1) If applicant otherwise meets all requirements, but has a loan outstanding; it is recommended that the loan must be paid, including all accrued interest, by payroll deduction over a period not to exceed two years from the benefit effective date – no age restriction. If the period of deferral will exceed 12 years after leaving City service, the loan must be paid in full, including all accrued interest, prior to the effective date of the deferred retirement. This 12 year clause will eliminate the possibility of the loan balance exceeding the member's contribution balance, which can occur after 14 years due to the difference in interest rate on the loan (7%) vs. the contribution balance (2%).