

MyPlanLoan

An Innovative Solution for Retirement Plan Loans

In today's Defined Contribution plan marketplace, participant loans present some interesting questions:

- Should plan sponsors make a loan provision available?
- Does a loan provision encourage participants to contribute more to their retirement plan?
- How can loans be offered without placing an undue burden on the Human Resources division?
- For employees who terminate employment with a loan outstanding, is there a better option than forcing an immediate payoff or loan default?

BPAS recognizes the importance of helping plan sponsors accomplish these goals, and is pleased to introduce **MyPlanLoan, a BPAS Service**. MyPlanLoan is a practical solution to the challenges presented by traditional, payroll-deducted loans – with many benefits for both plan sponsors and participants.

Ongoing loan administration

Under MyPlanLoan, BPAS takes over administrative functions for participant loans – removing a significant burden from the Human Resources Department (loans are no longer repaid through payroll deduction). Participants make payments directly to BPAS each month, which are tracked against the amortization schedule for each loan. The program can be used for new loan requests as well as to convert existing payroll deducted loans. It can also be offered with or without a revolving loan line (at the discretion of each client). What's more, plan sponsors can cap the loan amount available at an amount lower than the 72(p) limit if desired.

Loan administration for terminating participants

One of the main drawbacks of traditional, payroll-deducted loans is that participants generally face a "pay off or default" dilemma upon termination of employment. MyPlanLoan solves this problem by allowing the loan for any terminating participant to be converted to MyPlanLoan. Once converted, the participant can continue making monthly payments directly to BPAS, thereby avoiding significant tax penalties associated with a loan default while bridging the gap until their next job.



Additional options for plan sponsors

The MyPlanLoan program gives plan sponsors flexibility in how they design their loan program. This can include whether to:

- institute a loan limit below 72(p);
- use our revolving or non-revolving loan program; or
- consider other loan options.

The MyPlanLoan Revolving Loan Program allows participants to set aside a fixed amount to be available to borrow, and access loan proceeds only as needed. Only those funds that are used are removed from the plan, leaving the balance in the participant's account, continuing to earn tax deferred dividends for the participant. Under the MyPlanLoan Non-revolving Loan Program, participants request a loan as a one-time loan event (similar to a payroll deducted loan). In both programs, as in all other MyPlanLoan programs, a single monthly payment is due and remitted to BPAS to handle and administer the outstanding loans.

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Overall loan prudence

Arguably, offering the MyPlanLoan program with a lower limit than 72(p) (such as \$10,000 in total) may be the most prudent way to offer a loan program. Employees borrow only what they need, and can pay down *any* amount of additional principal at any time. In contrast, within a traditional loan program, employees may only be able to take one loan and may over borrow as a result, and payments must follow the required minimum payment schedule. By encouraging participants to borrow only what they need and allowing them to pay back loans more quickly, MyPlanLoan offers a better answer. It can enhance the value of a retirement plan to participants, while addressing the plan sponsor's fiduciary concerns.

MyPlanLoan provides the best of both worlds – offering the most unique and sensible loan solution for retirement plan sponsors and participants. For more information, please visit our website at www.MyPlanLoan.com, or give us a call. We'll be pleased to tell you more about MyPlanLoan and the benefits it can offer to your retirement plan.

About us

The MyPlanLoan program is a service offering of BPAS. BPAS is a subsidiary of Community Bank System, Inc. (NYSE: CBU), and a national provider of actuarial, administration and institutional trust services to clients across the U.S. We have been providing alternative loan administration services to clients since 2003. Through our AutoRollovers (EGTRRA distributions) and MyPlanLoan services, BPAS supports over 150 recordkeepers and TPAs throughout the U.S. and Puerto Rico.

