

KNOX COUNTY RETIREMENT SYSTEM ASSET ACCUMULATION PLAN

AMENDED AND RESTATED PARTICIPANT LOAN PROGRAM

WHEREAS, the KNOX COUNTY PENSION BOARD (the "Board") administers the KNOX COUNTY RETIREMENT SYSTEM ASSET ACCUMULATION PLAN (the "Plan"); and

WHEREAS, the Plan authorizes the Plan Administrator to extend loans to eligible Plan Participants who are actively employed by the Employer pursuant to a Participant Loan Program ("Program") to be adopted by the Board; and

NOW THEREFORE, effective May 1, 2020, the Board hereby amends and restates this Program, effective November 1, 2021; for purposes of the Internal Revenue Code of 1986 (the "Code"), and the Regulations thereunder, this Program is intended to form a part of and be incorporated in, the provisions of the Plan:

Section 1: ESTABLISHMENT OF PARTICIPANT LOAN PROGRAM

(a) The Plan Administrator hereby establishes the Program, under which Participant loans shall be considered Participant directed investments. The Plan Administrator shall establish such recordkeeping and accounting procedures as are necessary to carry out, within the scope of fiduciary obligations to the Plan's Participants and beneficiaries, the purposes of the Program.

(b) The Plan Administrator shall establish and amend from time to time such rules and procedures as are necessary or appropriate to effect the ongoing administration of the Program. The Plan Administrator shall prescribe such forms from time to time as may be necessary or appropriate for the Program.

(c) The Executive Director is hereby delegated authority and shall act as the Plan Administrator for the Program.

(d) Unless otherwise defined herein, any capitalized terms in this Program shall have the same meanings assigned to those terms by the Plan.

Section 2: ELIGIBLE PARTICIPANTS

(a) Employees in the Eligible Class of the Plan as of the date of the loan shall be eligible for the Program.

(b) In addition to the requirements of Section 2(a), Participants must be paid on a 12-month payroll cycle to be eligible for the Program.

Section 3: LOAN APPLICATION PROCEDURES

(a) Loan applications must be completed online at www.usicg.com. Each application shall specify the amount of the loan desired and the requested duration of the loan (not to exceed 5 years).

(b) All loan applications will be considered within a reasonable time following the Participant's formal application and each Participant may check the status of his or her loan application online at www.usicg.com.

(c) The loan proceeds check shall contain the loan Promissory Note and Disclosure ("Note"). The Participant's endorsement of the loan proceeds check shall constitute the Participant's execution and acknowledgement of the loan and its related documentation, including the Note and payroll deduction authorization.

(d) A Participant loan shall be initially funded by liquidating sufficient investments in the Participant's account on a pro rata basis. Repayments of loan principal and interest shall be invested in accordance with a Participant's current investment elections at the time payment is credited.

Section 4: LOAN PROVISIONS

(a) Applicable Interest Rate. Every loan shall bear a reasonable rate of interest. In determining such rate of interest, the Plan Administrator will require a rate of return as set by the Board commensurate with the prevailing interest rate charged on similar loans under like circumstances by persons in the business of lending money. Such prevailing rate standard will permit the Plan Administrator to consider factors pertaining to the opportunity for gain and risk of loss that a professional lender would consider on a similar arms-length transaction. The interest rate applicable to a Participant loan shall be periodically reviewed and determined by the Knox County Retirement and Pension Board, upon recommendation of its Investment Committee.

(b) Loan Security. All Participant loans shall be fully secured, and shall be secured exclusively, by the Participant's vested Plan accounts determined as of the valuation date immediately preceding the date the loan is made.

(c) Loan Repayment. All Participant loans shall be repaid through payroll deduction on an amortization schedule incorporating the Employer's payroll periods and shall be repaid over a period which may not exceed five (5) years. Payments are due as provided in the Note. A loan shall be due and payable in full upon termination of the Plan, notwithstanding any contrary provision in the Note.

In accordance with Section 2202(b) of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), as amended or interpreted by future federal law or regulation, a Participant may be eligible for deferral of loan payments and a resulting extension of the five (5) year loan term described above if such Participant is a "qualified individual," as such term is defined in the CARES Act. The Administrator shall determine if any Participant is a "qualified individual," based on the applicant's self-certification.

(d) Loan Minimum. The minimum loan amount available under the Plan shall be \$5,000.

(e) Maximum Loan Amount. The amount of any Participant loan shall be limited to the lesser of the following:

- (i) \$50,000 reduced by the excess, if any, of the highest outstanding balance of loans from the Plan or any other plan maintained by the Employer (or any person required to be aggregated with the Employer under Code Sections 414(b), (c), or (m) "Affiliated Entities"), during the 12-month period prior to the date of the loan,

over the current outstanding loan balance, if any; or

- (ii) 25% of the Participant's vested account balance as of the valuation date immediately preceding the date the loan is made.

(f) Outstanding Loans. Only one (1) outstanding loan shall be permitted at any time from any plan maintained by the Employer. Notwithstanding the foregoing, in accordance with the CARES Act, for the period beginning May 1, 2020 and ending December 31, 2020, a Participant may apply for a second loan and shall be permitted to have two (2) outstanding loans for the duration of the loan with the shorter remaining term; and such second loan shall not exceed the lesser of 50% of the Participant's remaining account balance or \$50,000.

(g) Loan Fees. Each Participant loan shall be subject to an origination fee in the amount of \$50 and an annual administrative fee of \$35 for the duration of the loan. The loan origination fee shall be deducted from the Participant's account at the time the loan is made, and the annual administrative fee shall be deducted semi-annually in installments of \$17.50 each.

(h) Vested Percent. A Participant must be 100% vested in all accounts to be permitted to take a loan from the Plan.

(i) Subsequent Loan. In no event shall a Participant be permitted to take a subsequent loan if he or she defaulted on and has not repaid any prior loan.

(j) Pre-payment of Loan. A Participant may pre-pay a loan for the full amount of the outstanding loan balance together with accumulated interest, without penalty at any time. Partial pre-payments are not allowed. Participants are not permitted to increase monthly payments to expedite repayment of a loan.

(k) Other Loans. The Participant is responsible for notifying the Plan Administrator of any other outstanding loan balances for any plan loan through Knox County (e.g., an outside provider 457(b) plan loan).

Section 5: LOAN DEFAULT

(a) Upon default, the entire amount of a Participant loan, together with accumulated interest, shall become due and payable.

(b) A Participant loan shall be in default if at the time the loan is made, or at any time prior to repayment in full, the loan fails to meet the applicable requirements of the Code and regulations, or if:

- (i) any scheduled payment is missed;
- (ii) any statement or representation made by or on behalf of the Participant to the Plan relative to the loan proves to have been false in any material respect at the time made or furnished;
- (iii) the Participant's employment with the Employer (and any affiliated entities) is terminated, and the outstanding loan balance together with accumulated interest is not repaid within the grace period specified in Section 5(e);

- (iv) distribution is required to be made under a qualified domestic relations order affecting the Participant's account and the amount of the distribution would exceed the Participant's account balance, less the loan balance;
- (v) transfer of a Participant's employment to the Metropolitan Drug Commission; or
- (vi) death of the Participant.

(c) Opportunity to Cure Default. A Participant shall have the opportunity to cure a default and avoid the tax consequences of a deemed distribution by: (1) repaying the loan in full within the period described in Section 5(e); (2) in the case of defaults under Section 5(b)(i), resuming the current status of the loan by paying any missed payment plus interest within the period described in Section 5(e) either by cashier's check or payroll deduction; or (3) if distribution is available in accordance with other terms of the Plan, requesting distribution of the Note balance.

(d) Deemed Distribution. A defaulted loan shall be treated as a deemed distribution, taxable to the Participant in accordance with federal law.

- (i) If the Participant does not timely cure the default and a distributable event has occurred, the Plan Administrator shall offset the amount due against the Participant's account balance. If no distributable event has occurred and the Participant has not cured the default, the defaulted loan shall be treated as a deemed distribution.
- (ii) A defaulted loan treated as a deemed distribution shall continue to accrue interest until the loan is repaid or an offset is made.

(e) Grace Period:

- (i) **Active Participants:** A late payment shall not cause the Note to be treated as a deemed distribution if the payment is made no later than the last day of the calendar quarter that follows the quarter in which the payment was originally due. A loan payment shall be applied to the installment with the earliest due date.
- (ii) **Terminated & Transferred Participants; Change in Payroll Cycle:** A loan shall not be treated as a deemed distribution if the outstanding loan balance is paid, together with accumulated interest, no later than the last day of the calendar quarter that follows the quarter in which the termination of employment or transfer of employment or change in payroll cycle occurred.

Section 6: MILITARY SERVICE AND LEAVES OF ABSENCE

(a) **Military Service.** If a Participant separates from service (or takes a leave of absence) from the Employer because of service in the military and does not receive a distribution of his or her entire Plan account balance, the Plan Administrator may, upon election by the Participant, suspend loan repayments until the Participant's completion of military service. The Participant must resume loan repayments upon the completion of such period of military service in accordance with Section 6(c). While the Participant is on active duty in the United States military, the interest rate on the loan shall not exceed six percent (6%), compounded annually.

(b) **Leave of Absence.** The Plan Administrator may suspend, upon election by the

Participant, loan repayments for a period not exceeding one (1) year during an approved leave of absence, either without pay or at a rate of pay (after applicable employment tax withholdings) that is less than the amount of the installment payments required under the terms of the loan. The Participant must resume loan repayments upon the completion of such Leave of Absence in accordance with Section 6(c).

(c) **Payments After Leave of Absence.** Following a payment suspension described in Section 6(a) or (b) above, the Participant shall resume payments on the loan and must contact USICG at www.usicg.com to make arrangements for the repayment of any payments missed during the suspension period, together with accumulated interest. In the event a Participant fails to make such arrangements, any missed payments shall be treated as deemed distributions at the conclusion of the loan's term.

Section 7: MISCELLANEOUS

(a) The Board reserves the right to modify, amend or terminate this Program at any time. The Plan Administrator shall have the power to suspend the Loan Program or the eligibility of a Participant where pending qualified domestic relations orders, possible forfeitures, questions about IRS requirements, or similar occurrences make such action necessary or appropriate to protect the interests of the Plan and Retirement System.

(b) This Program shall be interpreted and applied consistent with provisions of the Plan and Code Section 72(p) and applicable regulations.

IN WITNESS WHEREOF, this amended and restated Participant Loan Program has been executed this 25 day of October 2021.

KNOX COUNTY RETIREMENT SYSTEM


Executive Director