Account reduction loan overview

Heart of the Rockies Regional Medical Center Retirement Plans

May I take a loan from my plan?

Yes, you may borrow from your plan account. An account reduction loan is a loan that reduces your account balance by the amount of the loan.

How much can I borrow?

The minimum loan amount is $1,000. You may borrow up to 50% of your total account balance or $50,000, whichever is less.

How long do I have to pay back a loan?

You have up to five years to repay your loan—up to 10 years if the money is used to purchase your primary residence.

How is the loan taken from my account?

Amounts borrowed will be prorated against all available investment options in your plan in the following order (as applicable): nonfixed fund(s); guaranteed fixed fund(s); and guaranteed certificate fund(s), by liquidating the certificate(s) closest to maturity.

What is the interest rate I must pay back?

The interest rate is the Prime Lending Rate declared in *The Wall Street Journal* on the first business day of the month in which the loan is processed plus 1%. This amount is fixed for the life of the loan.

Will all of the interest be paid back into my account?

Yes. All interest payments will be paid directly to your account and invested in your current deferral allocation at the time of repayment.

What are the fees for the loan?

There are two fees: 1) a one-time $50 loan origination fee that is deducted from the proceeds of the loan; and 2) a quarterly $6.25 maintenance fee that is charged for each outstanding loan.

How many outstanding loans may I have at any point in time?

You may have one outstanding loan at any point in time.

How are loan payments made?

Loan payments are made through payroll as after-tax deductions. These deductions are in addition to any current contributions you may be making.

May I pay my loan by personal check?

No. Scheduled loan payments must be made by payroll deduction unless you are a PRN or an active employee and are not receiving a paycheck, you will need to continue making your loan payments by sending a personal check, cashier's check or money order directly to: Great-West Trust Company, LLC, P.O. Box 560877, Denver, CO 80256-0877.

What happens if I sever employment?

Upon severance of employment, you must choose one of the following options:

- Pay off the entire amount owed on the loan within a certain time frame. The loan would default at the end of the quarter following the quarter the next loan repayment is due. For example:
  1) Loan repayment due date: 9/30/17; Loan would default a couple business days before 12/31/17.
  2) Loan repayment due date: 10/01/17; Loan would default a couple business days before 3/31/18.
- Continue to repay on your loan, however, you will need to make payment arrangements with Empower to reamortize your loan to either monthly coupon by check or by ACH. Please call Empower at 866-467-7756 to make arrangements.
- Treat any outstanding balance as a taxable distribution.[1]

How do I apply for a loan?

There are two ways to apply for a loan:[2]

- Call our automated phone line at 866-467-7756.
- Visit www.empower-retirement.com/participant.

You will need your Personal Identification Number (PIN) to apply.[2,3]

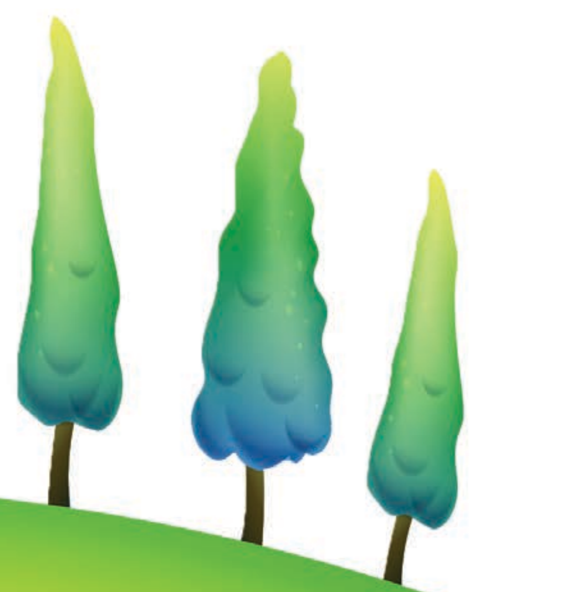
How long will the loan processing take?

Once you apply online, by phone, or your paperwork is received, checks are generally mailed within 10 business days.[2]

How do the deductions get processed?

Your payroll department will be notified to begin payroll deductions. The first deduction will occur approximately 30-45 days after the loan is processed.

Please note: It is your responsibility to verify that the loan deductions begin in order to avoid default. Reference the amortization schedule for timing of payments.



What does it mean to take a loan from my account?

When you take a loan from your retirement plan, you are actually borrowing money from your account. You will pay back the money to the account, with interest, over a specified period of time in substantially equal installments. You may also be charged a loan application fee, and the number of loans you may take is, generally, limited.

How can the loan affect my savings?

Remember the main purpose of your retirement plan—saving and investing for retirement. When you make regular payroll deductions over a long period of time, your contributions and any earnings can really add up thanks to compounding—which is when earnings potentially accumulate on what you have already earned, as well as on your initial investment.

The most dramatic effect borrowing from your retirement account can have is that it reduces the value of your account. Until the full amount is repaid, you cannot realize the effects of tax-deferred compounding at the same level as before you took out the loan. The result: Your total account balance at retirement may be less.

Plus, if you have a loan to repay, you may decide you can't afford to contribute to your account for a while, which can further impede your growth potential. And when you "borrow" from your account, you're essentially selling some of the investments in the account to make the money available. If the market is down when you take out the loan, you may have to take a loss.

What are the tax implications of a loan from my retirement plan?

Unlike certain other types of loans, such as a home equity loan or second mortgage, the interest you pay on a retirement account loan is not tax-deductible. In addition:

- If you suspend contributions to your account in order to pay off the loan, you will not be able to realize one of the tax advantages of before-tax contributions: reducing your current taxable income.
- The loan is tied to your employment. If you sever employment before the loan is repaid, you will have to repay the balance in full or the remaining balance will be considered a taxable distribution subject to taxes and the early withdrawal penalty (if applicable).[1] If the loan is considered a taxable distribution, you would also have to claim the loan as income when you file your taxes.

What are some other options?

There are alternatives to borrowing from your retirement plan. You may qualify for a home equity loan or another type of secured credit loan, which may offer an interest rate comparable to that of a retirement account loan. And, unlike the retirement account loan, the home equity loan may be tax-deductible. If you are car shopping, see what kind of loan the dealer offers. Or if you need the money for college, you may qualify for a low-interest college loan.

What's best for me?

Everyone's situation is different. The amount you need to borrow, your time frame for repaying it, how close you are to retirement, and whether you can continue contributing to your retirement plan account while repaying the loan are important concerns. Consider each of these factors before deciding which option is best for you.

FOR MORE INFORMATION, CALL 866-467-7756 OR VISIT WWW.EMPOWER-RETIREMENT.COM/PARTICIPANT.

1 Withdrawals may be subject to ordinary income tax. Withdrawals made prior to age 59½ may incur a 10% early withdrawal penalty. [The 10% early withdrawal penalty does not apply to 457 plan withdrawals.]

2 Loan processing via the voice response system or the website may not be available to all plans.

3 The account owner is responsible for keeping their PIN/Passcode confidential. Please contact Client Services immediately if you suspect any unauthorized use.