§ 517-b. Loans to members of a teachers' retirement system. a. 1. A member of a teachers' retirement system in active service who has credit for at least one year of member service may borrow, no more than once during each twelve-month period, an amount not exceeding seventy-five percent of the total contributions made pursuant to section five hundred seventeen of this article (including interest credited at the rate set forth in subdivision c of section five hundred seventeen compounded annually) and not less than one thousand dollars.

2. A member of the New York state teachers' retirement system who first joins such system on or after July first, two thousand twenty-two in active service and who has credit for at least one year of member service may borrow, no more than once during each twelve-month period, an amount, not less than one thousand dollars and which would not cause the balance owed pursuant to this section, including any amounts borrowed then outstanding to exceed (i) fifty percent of the member's total contributions made pursuant to section five hundred seventeen of this article (including interest credited at the rate set forth in subdivision c of this section compounded annually); or (ii) fifty thousand dollars, whichever is less.

b. An amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid in equal installments which shall be made by the borrower directly to the retirement board or through regular payroll deduction. Such installments shall be in such amount as the retirement board shall approve; however, they shall be at least (i) two percent of the member's contract salary, and (ii) sufficient to repay the amount borrowed, together with interest on unpaid balances thereof within a period not in excess of five years. In the event of default such retirement board shall be authorized to collect such payments due from the employer of such member through payroll deduction and such member shall forfeit all future entitlement to borrow from the retirement system until the unpaid balance of the loan outstanding at the time of default is fully paid. Such retirement board, at any time, may accept payments on account of any loan in addition to the installments fixed for repayment thereof. All payments of principal and interest, at the lower of the rates set forth in either subdivision c of section five

hundred seventeen of this article or subdivision c of this section, made by the member shall be credited to his or her account as principal or interest. Any additional interest paid by the member shall be credited to the appropriate fund of the retirement system.

c. The rate of interest payable upon loans made pursuant to this section shall: (i) for members of the New York state teachers' retirement system, be one percent less than regular interest pursuant to paragraph (b) of subdivision nine of section five hundred one of the education law, however in no event shall the rate be less than the rate set forth in subdivision c of section five hundred seventeen of this article; (ii) for members of the New York city teachers' retirement system, be one percent less than the regular interest rate established pursuant to paragraph (d) of subdivision twenty-two of section 13-501 of the administrative code of the city of New York for such system, however in no event shall the rate be less than the rate set forth in subdivision c of section five hundred seventeen of this article. Whenever there is a change in the interest rate it shall be applicable to loans made or renegotiated after the date of such change in the interest rate.

d. A service charge payable upon loans made pursuant to this section shall be set by the retirement board in an amount sufficient to cover the cost to the retirement system of administering the loans. Such charge shall be paid to the retirement system when the loan is made or in equal installments over the period the loan is outstanding. The amount of the service charge shall be credited to the fund from which administrative expenses are paid.

e. Each loan made pursuant to this section shall be insured against the death of the member in an amount equal to the amount of the loan outstanding at any given time; with the exception that until thirty days have elapsed after the making thereof, no part of the loans shall be insured. Such insurance shall be provided by the retirement board through the retirement system. Upon the death of the member, the amount of insurance so payable shall be credited to his or her account. The premium payable by the member for such insurance shall be set by the

retirement board at a rate not to exceed one percent of the amount loaned.

Such premium shall be prorated to July first next and shall be paid to the retirement system in equal installments over the period of the loan. Thereafter, a premium not to exceed one percent per annum of the present value of the outstanding loan as of July first shall be paid in the same manner each succeeding year until such loan is repaid or the member is retired.

The retirement board shall, at least annually, review such premium rate, and may, in its discretion, increase or reduce the premium, modify the terms or conditions of coverage, or discontinue the insurance of loans. In no event shall this subdivision impose any obligation upon the retirement board to continue to insure loans of members upon the terms and conditions herein provided or upon any other terms or conditions.

f. Such a retirement board is authorized to establish special funds as may be necessary to carry out the provisions of subdivisions d and e of this section.

g. Whenever a member of such a retirement system, for whom a loan is outstanding, becomes entitled to the return of his or her contributions because of withdrawal from such system or because of death, the amount of any loan outstanding on such date including accrued interest as provided in subdivision c of this section shall be construed to already have been returned to such member and the refund of contributions to which he shall then be entitled shall be the net amount of such contributions together with interest thereon pursuant to subdivision c of section five hundred seventeen of this article.

h. Notwithstanding the provisions of section five hundred sixteen of this article, whenever a member of such a retirement system, for whom a loan is outstanding, retires, the retirement allowance payable without optional modification shall be reduced by a life annuity which is actuarially equivalent to the amount of the outstanding loan (all

outstanding loans shall continue to accrue interest charges until retirement), such life annuity being calculated utilizing the interest rate on thirty-year United States treasury bonds as of January first of the calendar year of the effective date of retirement and the mortality tables for options available under section five hundred fourteen of this article. Notwithstanding the preceding sentence, in the case of the New York state teachers' retirement system, commencing January first, two thousand four, the interest rate on ten year United States treasury obligations as of January first of the calendar year of the effective date of retirement shall be used. Notwithstanding the preceding sentence, in the case of the New York state teachers' retirement system, commencing January first, two thousand sixteen, the average annual interest rate on ten year United States treasury obligations for the days during the calendar year that precedes the calendar year in which the retirement becomes effective shall be used.

i. Such a retirement board is authorized to adopt such rules and regulations as it finds to be necessary in administering the provisions of this section. Anything in this section notwithstanding, the retirement board of the New York state teachers' retirement system is authorized to adopt rules and regulations permitting a loan at any time prior to retirement to a member who is not in active service, provided such loan would otherwise be permitted under this section and under applicable provisions of the Internal Revenue Code relating to loans from pension plans.

j. Such a retirement board shall discharge any evidence of a loan to member pursuant to this subdivision upon the satisfaction of the obligation of the member thereunder.

k. The retirement system shall have no right to bring suit in any court against any member to enforce the amount due under this section and the retirement system's sole remedy upon death, retirement or withdrawal shall be to offset the amount outstanding including interest from the member's account or other benefits payable to or on behalf of the member as provided in this section.