



Board of Commissioners of Cook County

118 North Clark Street
Chicago, IL

Legislation Text

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PROPOSED RESOLUTION

ESTABLISHING A LOAN PROVISION OPTION FOR THE COOK COUNTY EMPLOYEE DEFERRED COMPENSATION PLAN

WHEREAS, On February 2, 1978, the Cook County Board of Commissioners approved the establishment of the Cook County Employee Deferred Compensation Plan. Since that date, Cook County employees have had the benefit of choosing to participate in said Plan; and

WHEREAS, thanks to County employees' contributions the account had \$1.2 billion by the end of 2015, which does not include the \$14.5 million contributed just during the current calendar year through March 2016; and

WHEREAS, the stated goals of the plan allow county employees to put aside money from each paycheck toward future economic security through pretax contributions from their own salaries; and

WHEREAS, the plan allows for employees to make a wide variety of autonomous decisions about contributions up to a maximum, as well as their own decisions about investment options and funds; and

WHEREAS, although the primary function of Deferred Compensation is to provide greater economic security in retirement, there are provisions of the federal law which allow for greater financial flexibility while still employed by the County and participating in the plan, specifically loan provisions for participating employees; and

WHEREAS, the Cook County Deferred Compensation Plan does not currently allow participants to access their own Deferred Compensation funds through loans against an employee's own investment; and

WHEREAS, other governments with Deferred Compensation Plans administered by the same administrator locally and nationwide are offering their employees the opportunity to access their own funds via loan provisions; and

WHEREAS, employees in these governments have found it possible to use these funds to put towards the down payment on a home, pay tuition bills for their children or themselves and reduce excessively high interest on credit card debt; and

WHEREAS, deferred compensation loans may be an alternative to an unforeseeable emergency withdrawal; there are no taxes to pay as long as loan conditions are satisfied and the employee essentially "pays interest to themselves," rather than to a conventional lender; and

WHEREAS, employees who take a loan, are borrowing from their own Plan account with no credit check, easy approval and repayment of the loan, plus competitive interest rates back to their own Plan account in monthly installments within a specified period of time; and

WHEREAS, despite disadvantages of retirement plan loans including lost investment opportunity and penalties for failure to repay, loans should be an option for Cook County employees; and

WHEREAS, the ultimate control and authority of an employee's decisions -including, but not limited to, levels of contribution, investments, emergency withdrawals, loans or even the basic decision to participate in the program at all-

must rest with the participating employee and not with Cook County or the plan administrator.

NOW, THEREFORE BE IT RESOLVED, that the Cook County Board of Commissioners asks the appointed Deferred Compensation Committee to work with the County's deferred compensation plan administrators to establish a loan provision option for consideration by this Board; and

BE IT FURTHER RESOLVED, that it is the desire of the Cook County Board of Commissioners to see a loan provision added to the County's Deferred Compensation Program by the end of the 3rd quarter of Cook County's current fiscal year.