



DATE: September 2009  
TO: Annuity Participants  
FROM: Boilermakers National Annuity Trust  
RE: Annuity Loan Default Rates

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The Annuity Loan Program is experiencing a high default rate, therefore we may be required to reduce or eliminate the loan program to preserve the Plan's tax qualification.

## **What is the Annuity Loan Program?**

The Boilermakers National Annuity Trust (the Plan) offers a loan program to participants in the Plan for at least five years. Qualified participants are allowed to borrow money against their individual annuity accounts.

Our loan program is federally regulated, which means:

- Loans are made with the intent that participants will fully repay them.
- If a loan goes into default, the Plan must take action to collect on the loan or offset the loan balance against the participant's account balance.
- If the Internal Revenue Service (IRS) or the Department of Labor (DOL) finds a pattern of defaults in our loan program it could have serious tax consequences for you and the Plan.

## **What are the possible tax consequences for the Plan?**

The Plan's tax qualification can be taken away, meaning:

- Employers can't deduct the contributions they make as a business expense.
- Participants can't defer income tax on the employer's contributions made on their behalf or the earnings on those contributions.

Richard L. Calcara  
*Executive Administrator*

Leonard G. Beauchamp  
*Assoc. Exec. Administrator*

Mario Rodriguez  
*Chief Investment Officer*

Janae L. Schaeffer  
*Chief Compliance Officer*

## **What are the possible consequences if I default on my loan?**

If you default on your loan by failing to make monthly payments until the loan is fully repaid, you could face the following tax consequences:

- The unpaid amount of the loan will be deemed taxable income to you.
- If you are under 59½, the IRS considers the unpaid loan to be an early distribution and will assess a penalty tax equal to 10% of the unpaid amount.
- If you default on the loan, you are ineligible for another Plan loan until the defaulted loan is paid in full with all accrued interest.

## **What can I do?**

If you are considering a loan from the Plan, please treat it like a loan from any other financial institution. If you already have a loan from the Plan, please make all loan payments on time.

## **For More Information**

If you have further questions about the Annuity Loan Program, please call Customer Care at 866-342-6555, 7 a.m. – 5 p.m. CST, Monday through Friday.

Sincerely,

Board of Trustees  
Boilermakers National Annuity Trust