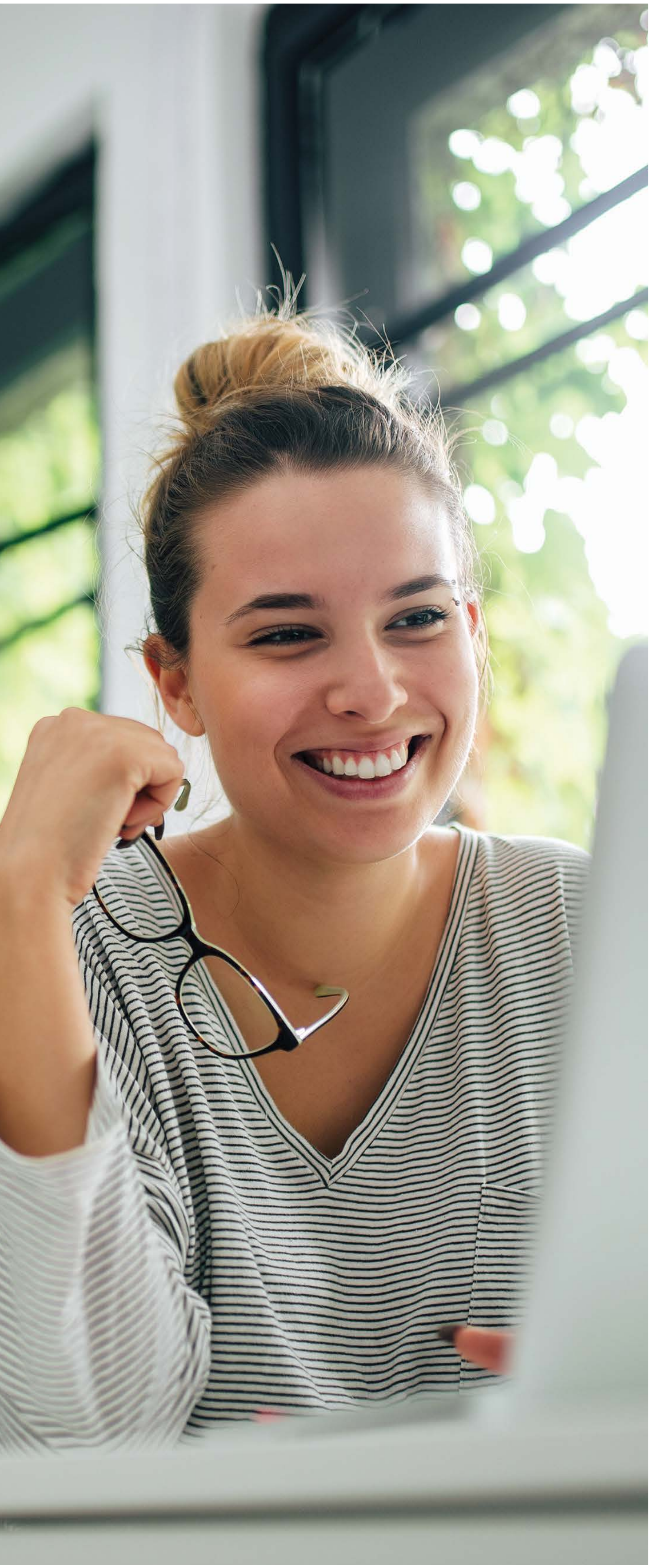


ACCOUNT REDUCTION LOAN FAQ

Below are answers to frequently asked questions about loans from the South Carolina Deferred Compensation Program (Deferred Comp). For more information about taking a loan, call the Participant Services Center at **877.457.6263** or visit **www.southcarolinadcp.com**.

LOAN BASICS

What is an account reduction loan?

An account reduction loan is one that reduces your Deferred Comp account balance by the amount of the loan.

What kind of loan may I take?

You may take a general purpose loan or a principal residence loan.

- A **general purpose** loan needs no documentation and has a term of one to five years.
- A **principal residence** loan must be used for the purchase of a primary residence; documentation will be required prior to issuing the loan. A principal residence loan has a term of six to 20 years.

How many outstanding loans may I have at any time?

You can have a maximum of one active loan between both plans at any time. A defaulted loan remains active until such time as it is offset or paid in full, and is considered an outstanding loan.

How much can I borrow?

The amount you can borrow depends on your account balance. The minimum loan amount is $2,500, and the maximum loan amount is $50,000. Log in to your account at **www.southcarolinadcp.com**, click *Account*, select your plan if required, and click on *Request a Loan* to find out how much you can borrow. You may also call the Participant Services Center at **877.457.6263** for more information.

Administered by:

How is the loan deducted from my account?

Amounts borrowed will be prorated and withdrawn equally from all funds in which you are currently invested.

What is the interest rate on my loan?

The interest rate is the prime lending rate declared in the *Wall Street Journal* on the last business day of the month prior to the month in which the loan is processed, plus two percent. The rate is fixed for the life of the loan. All interest payments will be deposited to your Deferred Comp account and invested in the same manner as your regular contributions at the time of repayment.

Can I get a quote for a loan?

Yes. Log in to your account at **www.southcarolinadcp.com**, click on *Account*, choose your plan if required, and click on *Loan Cost Calculator*. Scroll down and enter your proposed loan information to see how a loan may affect your account balance. You may also call the Participant Services Center at **877.457.6263** for a quote.

How do I apply for a loan?

There are two ways to apply for a loan:

1. Call the Participant Services Center at **877.457.6263**; or
2. Log in to your account at **www.southcarolinadcp.com**, select your plan if required, then click on the *Request a Loan* link on the left side of the screen.

What fees will I have to pay for the loan?

There are two fees assessed by Empower Retirement for processing and maintaining the loan:

1. A one-time loan origination fee of $50 that is charged for each new loan; and
2. An annual $25 maintenance fee that is charged to your account at $6.25 per quarter as long as the loan remains active.

LOAN PAYMENTS

How do I repay my loan?

You will repay all loans through payroll deduction, and payments are treated as after-tax deductions, regardless of the source of the funds at the time the loan was taken. The loan payments are in addition to any current contributions you are making. It is your responsibility to verify that loan payment deductions begin when expected. Refer to the amortization schedule you receive with your loan check for the timing of payments. If payments do not begin when expected, follow up immediately with your benefits administrator. It may be necessary to submit payments by check until your deductions begin to avoid default.

Can I make additional payments on my loan or pay back my loan early?

Yes. You can make additional payments or repay the balance of the loan at any time. You can apply additional payments to the principal balance or as a prepayment of future payments. You must complete a *Loan Prepayment Request* form to make additional payments. You can find the form by logging in to your account at **www.southcarolinadcp.com** and selecting the *Plan Information* link, then click on *Plan forms* and *Principal Reduction Loan Payment Request*. You may also call the Participant Services Center at **877.457.6263** to obtain the form.

What happens if I change jobs and go to work for another participating employer in Deferred Comp?

If you take a position with another entity that participates in Deferred Comp, you will need to complete the *Participant Enrollment/Employer Transfer* form and return it to Empower Retirement at your earliest convenience. You can find the form at **www.southcarolinadcp.com**. Select the *About Deferred Comp* tab, then select the *Enroll now* link and click on *Download the Enrollment form*. This will allow Empower Retirement to provide the loan payment deduction amount to your new employer, which will allow your payments to resume as quickly as possible.

It is your responsibility to verify with your new employer that they are aware of your loan payment deduction amount and the timing of when those deductions will begin. It may be necessary to submit payments until your deductions begin to avoid default.

What happens if I leave covered employment?

Upon termination of all covered employment, you must choose one of the following to avoid defaulting on your loan:

1. Offset the loan, which treats any outstanding balance as a taxable distribution;
2. Continue making loan payments. To do so, contact the Participant Services Center at **877.457.6263** and ask to have your loan converted to monthly coupon/check repayment; or
3. Pay off the entire amount owed on the loan.

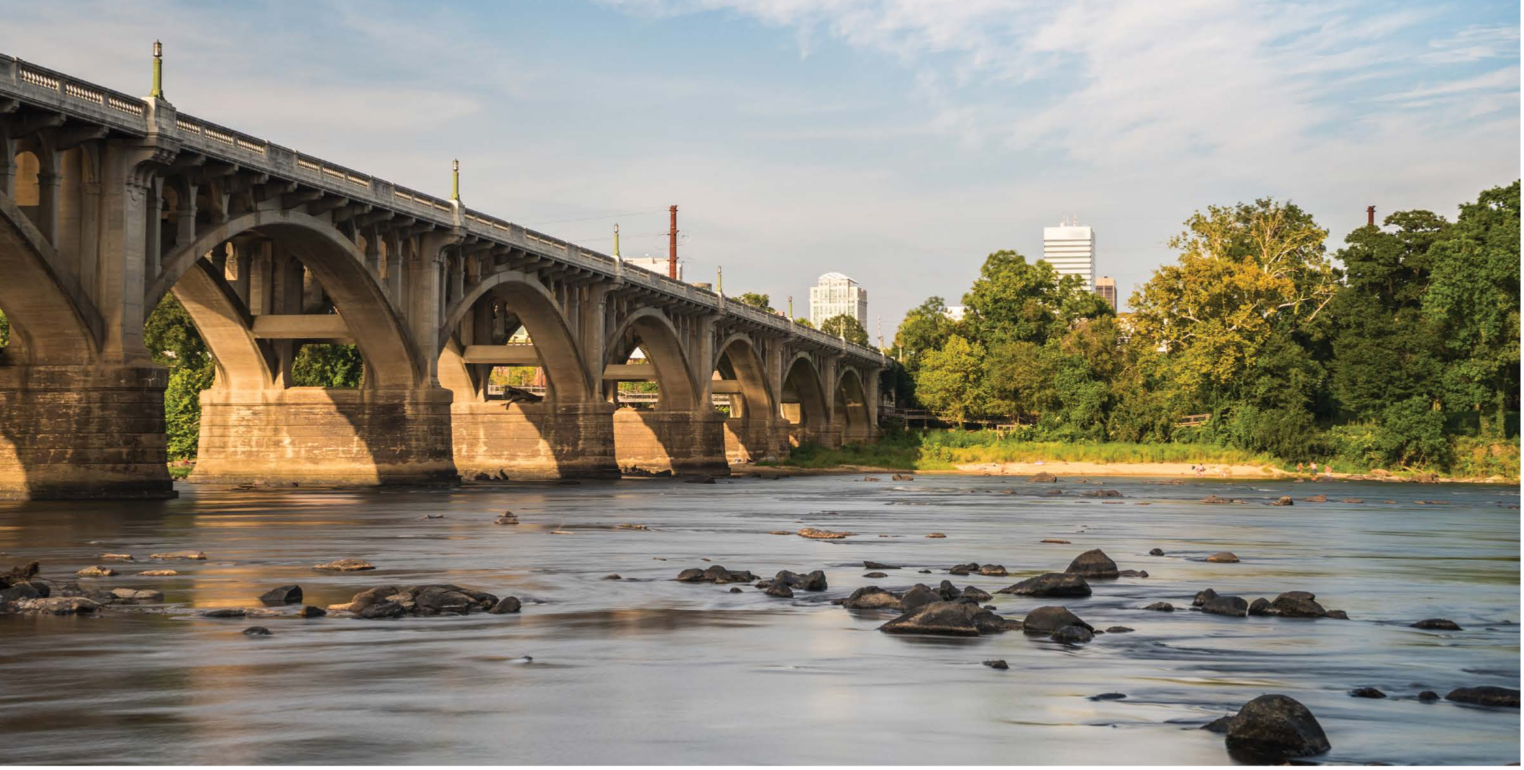
Electronic loan payoffs or monthly payments can be set up via Automated Clearing House (ACH) through your bank account, instead of paying by check.

The requirements are:

- ACH payoffs can only be submitted on the website.
- You must have a confirmed bank account on file and the 15-day pre-note process (the time to confirm the ACH has been set up correctly) has already completed.
- If there is no bank account online, you must add your banking information on the website and wait for the 15-day pre-note process to complete before submitting the payoff request.
- ACH payments will post within three-to-five business days from the submission date but ACH loan payoffs are considered “Non-Certified” and will have a distribution hold.

What happens if I stop making payments on my loan?

If you stop making payments on your loan, the loan will default and will be treated as a taxable distribution. Empower Retirement will issue a Form 1099, and you will be required to report it as income on your taxes. Defaulted loans remain active, and you will be assessed interest, as well as any loan maintenance fees, until such time as the loan is paid in full or offset.



LOAN IMPLICATIONS

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

When you take a loan from Deferred Comp, you are borrowing money from your retirement plan account. You will pay back the money to your account, with interest, over a specified period of time in substantially equal installments.

How can the loan affect my savings?

The main purpose of your Deferred Comp account is saving and investing for retirement. When you make regular contributions over a long period of time, the contributions and their earnings can add up thanks to compounding, which is when earnings accumulate on what you have already earned, as well as on your initial investment. The most dramatic effect of borrowing from your retirement account is that it temporarily reduces the value of your account. Until the full amount of the loan is repaid, you cannot realize the effects of compounding at the same level as before you took out the loan. The result is that your total account balance at retirement may be less than if you had not taken the loan.

In addition, if you have a loan to repay, you may decide you cannot afford to contribute to your account for a period of time. This can further impede your account's growth potential. When you borrow from your account, you are essentially selling some of the investments in the account to make the money available. Another unintended consequence is that if the market is down when you take out the loan, you may end up taking a loss on your original investment.

To see how a loan may affect your account balance, log in to your account at **www.southcarolinadcp.com**, click on *Account*, choose your plan if required and click on *Loan Cost Calculator*. This calculator will give you a hypothetical view of your future balance if you take a loan.