



## **PAID PARENTAL LEAVE – Repayment Election Form**

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Employee: \_\_\_\_\_

Department: \_\_\_\_\_

### **Purpose of this form**

This form is provided to help employees understand their repayment options in the event they voluntarily separate from City employment within six months of returning to work after a paid parental leave and must repay supplemental compensation received. It is provided to inform employees of the potential costs associated with repayment options. Completion of this form is not a condition of receiving such compensation.

### **When parental leave compensation must be repaid**

If an employee voluntarily separates from City employment within six months of returning to work after a paid parental leave, the amount of supplemental compensation received will be treated as a loan. All employees who receive compensation under Charter section A8.365 must execute an agreement providing for the repayment in case of such voluntary separation. The loan shall be payable with interest. Interest will be calculated going forward from the day the parental leave becomes a loan, that is, from the day the employee separates.

### **Terms of repayment**

Repayment can be made through a lump sum payment or through equal monthly installments over a defined period. In the latter case, the default repayment period set by the Charter is five years<sup>1</sup>.

### **Tax Implications**

The IRS imposes a 3-year limit on filing amended tax returns. Because of this limit, there may be consequences to selecting a payment period longer than three years. Please consult your tax advisor.

### **Interest owed on amounts to be repaid**

The Charter language stipulates that interest shall be calculated at the higher of the Treasurer's Pooled Cash Account or the Applicable Federal Rate (AFR).

For example, if the repayment agreement were prepared in December, 2012, for a term of less than three years, we would select .87% as the highest of the rates below. For a term of 3 years or more, the correct rate would be .95%.

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<sup>1</sup> According to Charter section A8.365-5, "unless an alternative repayment schedule is agreed to by the City and the individual, such loan shall be payable in equal monthly installments over a period not to exceed 5 years, commencing 30 days following the individual's separation from City employment."

1) Pooled Interest Rate for fiscal year to date:

The pooled interest rate is available on the Treasurer's website at <http://www.sftreasurer.org/index.aspx?page=16>. The Rate as of December 2012 is = .87%

2) Applicable Federal Rate for most recent month: December 2012

The applicable federal rate is available on the IRS website at <http://www.irs.gov/app/picklist/list/federalRates.html>.

Example:

- of 3 years or less: short term monthly is = .24%
- of more than 3 years: mid-term monthly is = .95%

**Employees MUST complete the following section and sign:**

I elect the following method of repayment:

- A single lump sum payment
- Equal monthly installments over a period of \_\_\_\_\_ years

Terms of Payment begins on \_\_\_\_\_ (date)  
Then, on 1st of each subsequent month thereafter until paid in full.

**I understand that if I do not select either of these two options, I will repay the loan in equal monthly installments over a period of five years.**

\_\_\_\_\_  
(Employee's Signature)

\_\_\_\_\_  
(Date)