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Impact of the CARES Act
on the
West Virginia Higher Education Retirement Plans

The West Virginia Higher Education Policy Commission (the Commission) wants to make you aware of your retirement plan options as a result of the Coronavirus Aid, Relief and Economic Security (CARES) Act.

The Policy Commission on April 17 approved changes to the West Virginia Higher Education Retirement Plan. Modifications to the plan provide additional flexibility with your plan savings as you navigate your financial decisions in the coming months. We recommend you speak with a TIAA financial consultant to review your current situation–along with short- and long-term financial goals–before making decisions that will affect your retirement investment.

What does this mean for you?

We know that keeping you and your family healthy and safe amid the challenges surrounding COVID-19 is your first priority. That's why we're working with our retirement plan partners at TIAA to make your new options easier to understand so you can determine if they may be right for you.

Suspension of Required Minimum Distributions (RMDs)

As provided in the CARES Act, the Commission has suspended all Required Minimum Distributions (RMDs) in 2020 for former employees over the age of 70-½ and their beneficiaries. TIAA mailed notices to all recipients of RMDs last week with information about the CARES Act and directions for how to suspend RMD payments, if they choose to do so. Anyone receiving distributions can call TIAA at 1-800-842-2252 to stop RMD payments. TIAA can also assist participants with rolling distributions already taken back into the plan for reinvestment and to preserve them from tax liability.

Qualifying for Coronavirus-Related Provisions

The CARES Act provides relief for participants who need to access their retirement plan funds due to COVID-19. The relief applies to coronavirus-related distributions (cash withdrawals) and coronavirus-related loans between January 1, 2020 and December 30, 2020.

Participants who meet the following coronavirus criteria may take a coronavirus-related distribution from their supplemental (403(b) and/or the 457(b) plans or may take a loan from their primary 401(a) plan. These options are available to a participant:

- Who is diagnosed with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention,

- Whose spouse or dependent (as defined in section 152 of the Internal Revenue Code) is diagnosed with such virus or disease by such a test, OR

- Who experiences adverse financial consequences as a result of
    - being quarantined,
    - being furloughed or laid off or having work hours reduced due to such virus or disease,
    - or cannot work due to lack of childcare due to such virus or disease,
    - closing or reducing hours of a business owned or operated by the individual as a result of such virus or disease,
    - or other factors as determined by the Secretary of the Treasury.

Please be advised that participants will be required to certify the qualifying reasons.

Plan Amendments for Coronavirus-Related Cash Distributions

The Commission approved a new in-service coronavirus-related cash withdrawal qualifying event for participants affected by COVID-19. Eligible participants affected by coronavirus as described above may withdraw up to $100,000 from their supplemental 403(b) and/or 457(b) plans between now and December 31, 2020.

It is important to note that the CARES Act provisions for coronavirus-related cash withdrawal *do not apply* to the mandatory Qualified 401(a) plan.

Penalties and withholding for taxes are waived for coronavirus-qualified distributions from supplemental retirement plan accounts if the eligibility criteria are met. This means, new in-service coronavirus-related distributions are exempted from the 10 percent IRS early withdrawal penalty (pre-age 59-½). TIAA is not required to withhold the usual 20 percent federal tax. However, the coronavirus-affected participant will be offered the option to have tax withheld.

Unless a participant opts to include all coronavirus-related distributions in gross income for the year of the distribution(s), (i.e. calendar year 2020), coronavirus-related distributions may be spread out over three years, beginning with the year of the distribution for federal income tax purposes.

The amendments includes the ability for a participant to repay/reinvest coronavirus-related distributions (in any amount up to the aggregate amount of the coronavirus-related distribution(s)) to the plan (or any other eligible retirement plan or IRA) at any time during the three-year period beginning on the day after the distribution, as long as the participant remains an active employee under the eligible retirement plan.

Plan Amendments for Coronavirus-Related Loans

Although coronavirus-related cash distributions do not apply to the qualified 401(a) Plan, the Commission approved an expansion of the loan limits provision, should a participant need access to funds in their regular 401(a) retirement account.

Coronavirus-related loans are available from the 401(a), 403(b) and 457(b) plans. Effective immediately, and through September 23, 2020, participants affected by the coronavirus as described above may borrow 100 percent of their accumulation across all plans, not to exceed $100,000. This is an increase from the existing plan loan limit of 50 percent of a participant's accumulation up to $50,000. Participants requesting the increased loan amounts are required to certify the coronavirus-related reasons.

Plan participants are limited to a maximum of three concurrent loans across all plan types – 401(a), 403(b) and 457(b); however, the maximum dollar amount of the combined three loans will double for coronavirus-related loans. The loan approval process will remain the same as it does for non-coronavirus-related loans.

Deferral of 2020 Payments on Loans from 401(a), 403(b) and/or 457(b)

The amendments approved by the Commission include the ability for a participant to defer loan payments up to 12 months. *Any existing or new loan payments* due between March 27, 2020 and December 31, 2020, may be deferred for a period of one year by borrowers affected by the coronavirus as described above. Interest will continue to accrue during the payment suspension period. This provision ends September 23, 2020.

Please visit **TIAA.org** or call TIAA at **855-400-4294** if you have questions related to taking a loan or the possibility of deferring payments on an existing retirement plan loan.

For retirement plan distributions and loans, TIAA encourages you to set up electronic funds transfer (EFT) for faster delivery of funds.

Other CARES Act Considerations

Tax filing and payment changes

The Treasury Department and IRS have extended federal tax filing and IRA contribution deadlines. The federal deadline for filing a 2019 tax return—and any corresponding 2019 IRA contributions outside of your retirement plan—has been extended to July 15, 2020.

Student loans and stimulus payments

Borrowers who have certain federal student loans may defer payments until later in the year, and qualified taxpayers meeting specific single/joint filing criteria may be eligible to receive stimulus payments. Please consult your personal tax advisor or your student loan provider for additional information.

Next steps

If you meet the eligibility criteria detailed above, would like to speak to a financial consultant, or would like to request loans or distributions, you can do so by logging in to your online account at **TIAA.org** or calling TIAA at **855-400-4294**. You can also visit **TIAA.org** for more information on the provisions of the CARES Act and other changes to consider.

Please review and be familiar with your options prior to making a decision regarding withdrawal of your retirement savings.