



State of West Virginia  
**Consolidated Public Retirement Board**

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# IMPORTANT!

Attached is the loan packet for applying for a TDC to TRS Transfer Service Credit Loan, as authorized by Chapter 18, Article 7D of the West Virginia Code.

The Consolidated Public Retirement Board (“CPRB or the “Board”) is providing this packet in order to implement the statutory provisions authorizing these loans. However, **the Board believes it critical that you understand some very significant issues relating to applying for one of these loans.**

- While the statute characterizes these as loans, **you will not actually be receiving any money to contribute into the Plan**, nor will the TRS Plan (or your account therein) receive an immediate lump sum addition of funds equal to the amount of the loan. Your loan repayments will be the only source of funds added to the Plan.
- Because the statute characterizes these as loans from the Plan itself, the Board is required to administer them as such, which means that all the provisions of Internal Revenue Code Section 72 relating to loans from plans and the taxation thereof, to the extent applicable, must apply. These federal requirements include provisions for deemed distributions and actual distributions if loans are not repaid in full, **both of which may subject you to income taxation and/or penalties if you do not repay the loan in full.**
- In addition, if you fail to repay the loan in full before you either (i) withdraw your contributions or (ii) retire and begin receiving an annuity, the unpaid loan balance will be deducted from your refund or annuity and is required to be treated and reported as an actual distribution to you, subject to income taxation and possibly penalties.
- **We strongly encourage you to discuss this with your personal tax advisor before applying for this loan**, to ensure it is in your best interest and that there are not other options available to you for purchasing additional service credit in the TRS Plan without the potential adverse consequences of these “loans.”

# **WHAT YOU NEED TO DO TO APPLY FOR A TDC to TRS TRANSFER SERVICE CREDIT LOAN**

- I. Understand the Following:
  - A. This is a special, one-time loan under the authority of Chapter 18, Article 7D of the West Virginia Code.
  - B. There are restrictions to the time frame a loan application of this type can be accepted, as well as, limitations to the amount.  
*(See Loan Packet for Details.)*
  - C. This loan cannot be refinanced or discharged through bankruptcy.
- II. Read the loan procedures very carefully and initial all places that require initial. Review the special “TDC to TRS Transfer Loan FAQs” section.
- III. Familiarize yourself with what happens when a loan falls into default status or when a loan is not fully repaid at the time benefit payments commence, and the consequences that may occur from a tax standpoint.
- IV. Sign the Loan Policy and Procedures document under the heading, “Member Acknowledgement,” (Part 14). *By signing the Loan Policy and Procedures document, you are indicating that you fully understand the procedures and that you will abide by the terms outlined as a condition for receiving a loan from your retirement plan. If you do not fully understand any of the provisions outlined in the procedures, please contact the Consolidated Public Retirement Board (CPRB) loan department at (800) 654-4406.*
- V. Complete the TDC to TRS Application for Additional Service Credit Loan.
- VI. Ask the person at your respective employer who is responsible for payroll changes to review and sign both the TDC to TRS Application for Additional Service Credit Loan application, as well as, the Loan Policy and Procedures document under the heading, “Employer Acknowledgement,” (Part 13).
- VII. Make a copy of each document for your records.
- VIII. Return all pages of both the original loan application as well as the original loan procedures to the CPRB loan department at the following address:

Consolidated Public Retirement Board  
Attn: Loan Division  
4101 MacCorkle Avenue SE  
Charleston, WV 25304

## ATTENTION ALL LOAN APPLICANTS

### TRUTH IN LENDING ACT

The Truth in Lending Act is Subchapter 1 – Consumer Credit Cost Disclosure – of the Consumer Credit Protection Act, enacted May 29, 1968. The disclosures required of creditors making consumer loans which are not open-end credit plans are listed in §1638. The portions whereof deemed applicable to the Teachers Retirement System are set forth as follows:

- (a) Any creditor making a consumer loan or otherwise extending consumer credit in a transaction which is neither a consumer credit sale nor under an open-ended credit plan shall disclose each of the following items, to the extent applicable:
  - 1) The amount of credit which the obligor will have actual use or which is or will be paid to him/her for his account or to another person on his/her behalf.
  - 2) All charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge.
  - 3) The total amount to be financed (the sum of the amounts referred to in paragraph 2).
  - 4) The amount of the financed charges. “The imposition of interest is a finance charge within the meaning of the Act 1605.”
  - 5) “The finance charge expressed as an annual percentage...”
  - 6) The number, amount, and due dates, or periods of payments scheduled to repay the indebtedness.
  - 7) The default, delinquency or similar charges payable in the event of late payments.
- (b) Except as otherwise provided in this part, the disclosures required by subsection (a) of this section shall be made before the credit is extended and may be made by disclosing the information in note or other evidence to be signed by the obligor.

EXCERPTS FROM OPINION OF THE WEST VIRGINIA ATTORNEY  
GENERAL – FEBRUARY 22, 1977

# **WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD**

## **TDC to TRS ADDITIONAL SERVICE CREDIT LOAN POLICY AND PROCEDURES**

The West Virginia Teachers' Retirement System (TRS), the "Plan," contains a loan provision that permits applicants who become members of the TRS as a result of the Teachers' Defined Contribution (TDC) System to TRS transfer, under §18-7D of the West Virginia Code, to borrow against their individual TRS retirement accounts to purchase additional service credit for the purpose of paying all or part of the amount prescribed under §18-7D-6 of the West Virginia Code. The following loan procedures will be followed by the Consolidated Public Retirement Board (CPRB or the "Board.") in administering the loan program. Therefore, if you are a member of the TRS as a result of the TDC to TRS transfer, as briefly described above, you may apply for a loan in accordance with the following rules:

### **1. Compliance with Federal Tax Laws and Regulations**

- Notwithstanding any other provision of these loan procedures, the loan program will be administered by the Board in accordance with Internal Revenue Code section 72(p), Treasury Regulation 1-.72(p)-1 and various other rulings, regulations, IRS notices and other pertinent legal directives as issued or amended from time to time to the extent they are applicable.
- The Board acknowledges that the examples in Treasury Regulation 1-.72(p)-1 are based upon assumptions pertaining to loans from a defined contribution plan and are generally silent with respect to loans from defined benefit plans such as the TRS. However, in this policy the Board has attempted, to the extent possible, to apply the specific rules and intent of the Regulation.

### **2. Application**

- To apply for a loan from the Plan, participants must complete a loan application provided by the Board. Each application must be completed in its entirety prior to submission in order to be considered for approval. All applications will be reviewed on a nondiscriminatory basis.

### **3. Approval Process**

- As long as the participant meets all eligibility requirements as defined by the Board, loans shall be permitted to buy back additional service credit as a result of the TDC to TRS transfer under the authority of Chapter 18, Article 7D of the West Virginia Code.

### **4. Loan Limitations**

- Each loan will be administered by the Board and all loans issued there under shall be in accordance with Section 401 and 72(p) of the Internal Revenue Code; Chapter 18, Article 7A, Section 34 of the West Virginia Code; Chapter 18, Article 7D, Section 5 of the West Virginia Code; Title 162, Series 4, Section 8 of the West Virginia Code of State Rules; and Title 162, Series 7, Section 5 of the West Virginia Code of State Rules.

- In addition to Federal and State restrictions, loan amount may not exceed the actual cost to purchase additional service credit.
- Refinancing of a loan is not allowed.
- Please be aware that if you plan on taking a loan, no loan can be statutorily granted by the CPRB beyond June 30, 2009; therefore, ***we must receive your loan application no later than the end-of-business on Friday, May 1, 2009, in order to ensure that your application is processed before the statutory deadline.***
- Under most circumstances, participants becoming member of the TRS as a result of the transfer from the TDC system will be eligible for a loan prescribed under Chapter 18, Article 7D, Section 5 but will not be eligible for a loan prescribed under Chapter 18, Article 7A, Section 34 of the West Virginia Code.
- In rare cases, participants coming from the TDC system to the TRS, who in the past were members of TRS but had their contributions frozen upon exit of the system, will be eligible for both types of loans under the TRS system; however, those individuals wishing to carry a loan under the authority of Chapter 18, Article 7A, Section 34 of the West Virginia Code, in addition to an additional service credit loan under Chapter 18, Article 7D, Section 5 of the West Virginia Code, will be severely restricted by Federal and State regulations as to the amounts they may borrow, if any.
- Each additional service credit loan issued, when added to any other outstanding loans to the participant will be limited to the following:

The lesser of the following:

- \$50,000 minus (-), the excess, if any, of the highest outstanding loan balance during the one-year period ending on the day before the date of the new loan over the outstanding balance of loans to the participant on the date of the new loan.

***OR***

The greater of:

- One-half of the present value of the nonforfeitable accrued benefit ***OR*** \$10,000. The nonforfeitable accrued benefit shall be equal to the total amount of the participant's account that is transferred from the Teachers' Defined Contributions system to the Teacher's Retirement System. In some cases, the nonforfeitable accrued benefit will also include a participant's frozen contributions in the TRS, if applicable. ***Note: Under no circumstances may the amount borrowed exceed the \$40,000 limit set by Chapter 18, Article 7D of the West Virginia Code or the total cost indicated on the participant's Final Cost Statement.***

- When questions arise as to eligibility and or maximum loan amounts for additional service credit loans, the board will make the final determination as it sees necessary to ensure all loans are in compliance with applicable Federal and State Regulations.

## 5. Repayment Procedures

- Repayment term cannot be less than 6 months nor more than 60 months.

- Principal and interest payments must be received at least monthly in substantially level payment amounts.
- Participants who have employment contracts requiring a 10 or 11 month pay schedule shall have their monthly loan repayment and amortization schedule adjusted for substantially level payments during the contract period, but in no event shall exceed a maximum 60-month repayment period.
- All payments while employed must be submitted to the Plan through means of payroll withholding in strict accordance with the promissory note. ***Note: It is the participant's responsibility to see that payroll deductions are initiated by his or her employer in a timely manner and in an amount consistent with the promissory note.***
- If a participant terminates employment, the participant shall make timely payments directly to the Plan by check or money order in lawful currency of the United States of America in strict accordance with the promissory note. Participants may also elect to withdraw their contributions (plus earnings) from the system at which time they must pay off in a lump sum any loan balance remaining or it will be offset against their refund of contributions. If eligibility requirements are met, participants with a loan balance may also retire and receive an annuity reduced over the lifetime of the annuity for any loan balance remaining. In either case however, any outstanding loan balance which is not repaid in full prior to the time of withdrawal of contributions or commencement of annuity payments will be treated as an actual distribution and therefore will immediately be included in a Participant's gross income for tax purposes and may incur a tax penalty. Note also that an outstanding loan balance at the time of withdrawal of contributions or commencement of annuity payments may also reduce the "minimum guarantee" amount a participant is entitled to under W.Va. Code § 18-7D-11.
- If a member fails to make payments and remains in the system, interest will continue to accrue on the loan balance, and the member may suffer tax consequences as a result of non-payment.
- A member may make supplemental loan payments or pay off the entire unpaid loan balance at any time without penalty.

## 6. Security

- Any loan granted hereunder will require a participant to pledge a maximum of 50% of his or her accumulated contributions as collateral for the loan. If at any time after this loan is made, the loan balance represents more than 50% of the participant's accumulated contributions, the Board may require additional collateral. Such collateral may include, but not limited to, a lien on real estate, marketable securities, savings account(s) or automobile(s) owned by the participant.

## 7. Interest Rate

- The rate of interest applicable to the unpaid balance will be at an annual rate of 7.5% (seven and a half percent)
- Any loan that is paid in full within six months of the loan initiation date shall be assessed a minimum interest change equal to the amount of interest that would have accrued on said loan for a period of six months.

- If a loan goes into default as stated in paragraph 9 below, interest shall continue to accrue at the stated rate in the loan agreement for the original term of the loan. Thereafter, the interest shall accrue at the stated rate, or, if different, the rate established by the Board, on any subsequent occasion, as it deems appropriate, for new loans.

## **8. Termination or Retirement of Participant with Loan Balance**

- A Participant (or his or her beneficiary) with an unpaid loan balance who retires, terminates covered employment or dies and is entitled to an annuity, must pay the remaining loan balance in full either by means of a lump sum payment to the Plan or by accepting retirement income payments reduced by offsetting from the actuarial reserve for the accrued benefit the amount of unpaid balance and then converting the remaining portion of the reserve to a monthly pension payable in the form of the annuity desired by the Participant. Note that an outstanding loan balance at the time of retirement, death, or termination of covered employment may reduce the “minimum guarantee” amount a participant is entitled to under W.Va. Code § 18-7D-11. If an offset occurs, the offset amount will be treated as an actual distribution and therefore will be immediately includable in a Participant’s gross income for tax purposes and may incur a tax penalty. The Board shall report this event to the Internal Revenue Service and the participant shall be issued a Tax Form 1099R.
- If an employee’s accumulated contributions are insufficient to cover the required loan repayment, any collateral pledged as additional security as stated in Paragraph 7 above, may be foreclosed upon, or collection may be pursued by other legal means.

## **9. Default**

- Failure to make any installment payment when due in accordance with the terms of the promissory note and these procedures will result in the loan being deemed to be in default.
- If the scheduled loan payment(s), including additional interest accruing as a result of a missed payment(s), are not paid in full by the end of the cure period, a deemed distribution will occur on the last day of the cure period following default. A cure period is defined as the calendar quarter following the calendar quarter in which the default occurred.
- When a participant incurs a deemed distribution, the Board shall report this event to the Internal Revenue Service and the participant shall be issued a Tax Form 1099R, which may result in immediate taxation of the deemed distribution to the participant plus accrued interest. However, this shall not relieve the Participant’s obligation to repay the loan. If unpaid, any remaining balance on the loan shall be offset against the participant’s retirement or refund benefits as stated in Paragraphs 5 and 8 above.
- After a Participant incurs a deemed distribution, interest shall continue to accrue on the loan until a distributable event occurs.
- Any person who has a loan outstanding with the Plan and files bankruptcy remains responsible to see that his or her loan is paid in accordance with the terms of the original promissory note.
- For purposes of these procedures, a loan from the TRS is not treated as a “debt” for bankruptcy purpose. Individuals who do not maintain compliance with their promissory note shall incur a deemed distribution and the procedures outlined above shall apply. This shall be the case even if a

Federal bankruptcy court orders the cessation of payroll deductions that had been in effect to repay the loan.

- If a Participant is on leave of absence without pay and suspends loan payments, default will not occur until the Participant has been on leave for a period of one year or if the Participant returns to work before the end of the one-year period, default will occur upon failure to re-commence loan payments upon return. Upon return to work or the end of the one-year leave of absence period, whichever first occurs, the Participant, may either (1) continue making installment payments as negotiated in the original promissory note and repay the remaining balance in a lump sum payment at the maturity date of the loan, or (2) re-amortize the loan, increasing the monthly installment payments in a manner sufficient to repay the loan in full by the loan's original maturation date.
- If after one year after the leave of absence begins, the Participant fails to begin making the prescribed monthly loan payments, the loan will be considered to be in default immediately, and the rules described in the paragraphs above shall apply with the exception hereunder.
- If the Plan suspends loan repayments for any part of a period during which the Participant is performing military service under the Uniformed Service Employment and Reemployment Rights Act (USERRA), such suspension shall not cause the loan to be a deemed distribution even if the suspension exceeds one year and the term of the loan is extended, as long as loan repayments resume upon completion of such period of military service, the frequency and amount of periodic installments resume in an amount not less than required under the original loan, and the loan is repaid in full (including interest that accrues during such period of military service) by the end of the period equal to the original term of the loan plus the period of such military service. During a military leave of absence, a participant's loan will accrue interest at a rate of 6% (six percent) irrespective of the rate of interest specified in the original promissory note. If the Participant fails to begin making the prescribed monthly loan payments after the period of such military service ends, the loan will be considered in default immediately, and the rules of stated in the paragraphs above shall apply.

## **10. Statements**

- Participants who have outstanding loans for which payments are not current shall annually receive a statement as of the end of the current fiscal year showing their outstanding loan balance. Statements shall be issued as soon as possible after the close of the fiscal year. Participants who receive these statements shall be those who:
  - Have incurred a deemed distribution and received a Form 1099R, or
  - Have defaulted on their loan, but not yet incurred a deemed distribution, or
  - Are in a leave of absence or
  - Are on a military leave of absence.

## **11. Repayment after a Deemed Distribution**

- A Participant may repay a loan that has been deemed distributed at any time prior to receiving a refund or pension benefit. Amounts can be remitted to the Board via payroll deduction or direct payments. Funds received shall be credited to the total outstanding loan balance.

**12. Employer Acknowledgement**

By signing below, your employer agrees to abide by the procedures outlined above.

Employer Name: \_\_\_\_\_

Employer Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Signature of Employer: \_\_\_\_\_ Date: \_\_\_\_\_

Title of Individual Signing Above: \_\_\_\_\_

**13. Member Acknowledgement**

I hereby acknowledge receipt and agree to abide by the terms of the plan loan procedures outlined above. I also acknowledge that I have read and understand the attached "TDC to TRS Transfer Loan FAQs" section explaining how the amount I will be able to borrow is determined, methods for accruing interest, and the basic implications of deemed distributions and unpaid loans and the potential impact of such upon my retirement, death or withdrawal of my accrued benefits. I acknowledge that an outstanding loan balance at the time of retirement, death, or withdrawal of my accrued benefits may reduce the "minimum guarantee" amount I may be entitled to under W.Va Code § 18-7D-11.

*Initial here \_\_\_\_\_. Note: If this space is not initialed, your loan will not be processed any further.*

I understand that it is ultimately my responsibility to see that my employer begins and continues loan deductions in a manner consistent with any loan agreement that I may enter into with the Teachers Retirement System or the Deputy Sherriff's Retirement System. I also understand that this loan is not dischargeable in a bankruptcy proceeding.

*Initial here \_\_\_\_\_. Note: If this space is not initialed, your loan will not be processed any further.*

I understand that if I retire or terminate employment with an outstanding loan owing to the WV Teachers Retirement System, that I will have to repay the loan in full prior to receiving a monthly pension payment (through personal pay or an actuarial reduction to my pension) or prior to receiving contributions currently on file for me. I also understand that if there is an actuarial reduction to my pension or an offset against my refund of contributions, such amount will immediately be included in my gross income for income tax purposes (as required by Section 72(p) of the Internal Revenue Code) and may incur additional tax penalties.

*Initial here \_\_\_\_\_. Note: If this space is not initialed, your loan will not be processed any further.*

I understand that if I stop making payments on my loan, that interest will continue to accrue, compounded monthly, and at the annual rate stated in the Loan Agreement or at a different rate as determined thereafter by the Board for newly issued loans. I understand that such interest will continue until the loan balance is repaid, whether directly by me, by actuarial reduction of retirement or disability benefits, or by offset against a refund of contributions.

*Initial here \_\_\_\_\_. Note: If this space is not initialed, your loan will not be processed any further.*

\_\_\_\_\_ Initials

Participant Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print your name: \_\_\_\_\_ Your SSN: \_\_\_\_\_

All questions and loan applications may be directed to the WV Consolidated Public Retirement Board Loan Division at the following address:

WV Consolidated Public Retirement Board  
Attn: Loans Division  
4101 MacCorkle Avenue SE  
Charleston, West Virginia 25304  
**Phone:** (304) 558-3570 **Toll Free:** (800) 654-4406  
**E-mail:** cprb.loans@wv.gov

**State of West Virginia**  
**Consolidated Public Retirement Board**  
4101 MacCorkle Avenue SE, Charleston, West Virginia 25304-1636  
Telephone: 304-558-3570 or 800-654-4406 Fax: 304-558-1394

cprb@wvretirement.com

www.wvretirement.com

I hereby apply for a one-time service credit loan from the WV Teachers Retirement System (the "Plan") in the amount of \$\_\_\_\_\_ (not to exceed \$40,000.00\*).

\*In accordance with Chapter 18, Article 7A, Section 34 and Chapter 18, Article 7D, Section 5 of the West Virginia Code. Other limitations may apply and further reduce this maximum. This loan will also be provided in compliance with the provisions of Section 72(p) and Section 401 of the Internal Revenue Code, to the extent applicable.

- Desired loan repayment period: \_\_\_\_\_ months. (Must be at least 6 (six) months and cannot exceed 60 (sixty) months.)
- Frequency of payments shall be **monthly** and shall be made by payroll deduction as required by Chapter 18, Article 7D, Section 5 of the West Virginia Code.
- Current employer's name: \_\_\_\_\_

In accordance with the provisions of Chapter 18, Article 7D of the West Virginia Code, I understand that I will not directly receive the proceeds from this loan, and this one-time loan will be utilized to purchase additional service credit as a result of my election to transfer my assets, as defined in Article 7D of aforementioned chapter, to the Teachers' Retirement System from the Teachers' Defined Contribution Plan. **Initial here** \_\_\_\_\_

I understand that, if I have a preexisting loan from the WV Teachers Retirement System still outstanding, such loan remains governed by its original terms and is not superseded or replaced by the terms of this loan. **Initial here** \_\_\_\_\_

I understand that interest will be 7.5 per annum, and the terms of this loan require repayment of the loan in no less than 6 (six) months and no more than 60 (sixty) months. **Initial here** \_\_\_\_\_

I understand that if I retire with an outstanding loan owing to the WV Teachers Retirement System that I will have to repay the loan in full prior to receiving any benefit from the plan. Otherwise, my monthly lifetime pension payment shall be actuarially reduced in an amount sufficient to repay the balance owing on the loan plus accrued interest at the time of retirement and the outstanding loan balance will immediately be included in my gross income for income tax purposes (as required by Section 72(p) of the Internal Revenue Code) and may incur additional tax penalties. I also understand that this may reduce the "minimum guarantee" amount I am entitled to under Chapter 18, Article 7D, Section 11 of the West Virginia Code. **Initial here** \_\_\_\_\_

I understand that if I leave employment (voluntarily or involuntarily) and wish to withdraw my contributions from the system without first repaying in full any outstanding loan balance, the amount of my contributions that I will be able to receive will be reduced by the outstanding loan balance and the outstanding loan balance will immediately be included in my gross income for income tax purposes (as required by Section 72(p) of the Internal Revenue Code) and may incur additional tax penalties. I also understand that this may reduce the "minimum guarantee" amount that I am entitled to under Chapter 18, Article 7D, Section 11 of the West Virginia Code. **Initial here** \_\_\_\_\_



# TDC to TRS TRANSFER LOAN FAQs

**Q1) How will I know how much it will cost me to purchase the additional 25% service credit?**

*A1: A “Final Cost Statement” will be provided to you by the board indicating the total dollar amount it will cost you to buy the additional service credit if you so choose.*

**Q2) How long do I have to apply for a loan to purchase the additional service credit?**

*A2: No loan can be statutorily granted by the CPRB beyond June 30, 2009; therefore, we must receive your loan application no later than the end-of-business on Friday, May 1, 2009, in order to ensure that your application is processed before the statutory deadline.*

**Q3) What is the time frame for repaying the loan?**

*A3: You will have up to 60 months (5 years) to pay for the loan.*

**Q4) Are there any penalties for paying off the loan early?**

*A4: No. You can pay off the loan at any time; however, there will be a minimum interest charge of six (6) months.*

**Q5) What will be the annual interest rate?**

*A5: The annual interest rate will be 7.5%. This interest is only applicable to loans under Chapter 18, Article 7D, Section 5 of the West Virginia Code and should not be confused with the interest rate (provided at a higher rate) on loans under Chapter 18, Article 7A, Section 34 of the West Virginia Code.*

**Q6) How do I submit loan payments?**

*A6: All loan payments are automatically deducted from your paycheck and submitted to the CPRB by your employer. If you should become no longer employed with your employer for any reason, then loan payments must be submitted on time by you in the form of a personal check or money order to the CPRB.*

**Q7) What is the maximum amount that I may borrow to purchase the additional 25% service credit?**

*A7: Although there are several variables involved in determining the maximum amount of a service credit loan, in general, your loan may not exceed the lesser of \$40,000 or the cost as shown on your Final Cost Statement. Your loan, when added to any other outstanding loans you have, will also be limited to the lesser of (i) \$50,000 minus the excess, if any, of the highest*

*outstanding loan balance during the one-year period ending on the day before the date of the new loan over the outstanding balance of loans to you on the date of the new loan, or (ii) the greater of 50% of your contributions or \$10,000. The precise amount that you will be eligible to borrow will be calculated at the time of your application.*

**Q8) If I have frozen contributions with the TRS upon my transfer and do not have an outstanding loan balance under Chapter 18, Article 7A, Section 34 of the West Virginia Code, may I take a loan in addition to a loan under Chapter 18, Article 7D?**

*A8: Under most circumstances, you will be severely limited in your ability to take a loan under Chapter 18, Article 7A, Section 34 of the West Virginia Code in addition to any previous loan you have taken under Chapter 18, Article 7D, Section 5 of the West Virginia Code simply because Article 7A, Section 34 of the statute limits your total loan balance to \$8,000. While the existence of a preexisting loan under Article 7A does not preclude you from taking a service credit loan under Article 7D, the service credit loan amount must be taken into account when calculating the loan limit for any future Article 7A, Section 34 loans.*

**Q9) What happens if I fail to make loan payments in accordance with the terms of my loan?**

*A9: A member who fails to make a payment when due in accordance with the terms of his or her loan will result in the loan becoming default.*

**Q10) What will happen if I default on my loan?**

*A10: You will be given a “cure period” to get payments back in line with the terms of your loan.*

**Q11) What is a cure period?**

*A11: A cure period is defined as the calendar quarter following the calendar quarter in which default occurred.*

**Q12) What will happen if I fail to bring my loan into compliance with the original terms of the loan during the cure period?**

*A12: Your loan will be “deemed” as a distribution, and will be reported to the Internal Revenue Service as income. You will receive a 1099R and will be subject to additional taxes and penalties.*

**Q13) What will happen if I have a loan balance and elect to withdraw my funds or retire from the Teachers’ Retirement System?**

*A13: If you cease employment with a loan balance and elect to withdraw your funds from the system, unless you pay the remaining loan balance in full before withdrawing your funds, the balance of your loan at the time of withdrawal will be subtracted from the balance of your account. The difference will be refunded to you. If you elect to retire with a loan balance, you can pay off the loan in full before annuity payments commence or take an actuarial offset against your monthly retirement annuity. In either case however, if there is an outstanding loan balance which you do not pay off in full before withdrawing your contributions or commencing annuity payments, it will be immediately includable in your gross income for tax purposes and may incur*

*a tax penalty. In addition, in either case, the “minimum guarantee” amount you are entitled to under Chapter 18, Article 7D, Section 11 may be reduced to repay the loan balance.*

**Q14) Who can I contact if I have further questions regarding loans?**

*A14: You may contact the Consolidated Public Retirement Board’s loan department at (800) 654-4406. You may also reach the loan department via e-mail at [cprb.loans@wv.gov](mailto:cprb.loans@wv.gov).*