

ROTH CONTRIBUTIONS TO THE BERS TDA PROGRAM

What are Roth contributions?

Roth contributions are contributions that are **taxed when they are made**. The BERS TDA Program first began to permit Roth contributions as of January 1, 2024. Before this date, the BERS TDA Program permitted only pre-tax contributions.

What is the difference between Roth contributions and pre-tax contribution?

The difference is in the taxability. **Roth contributions** are fully taxed by the federal government at the time that they are made, so they are not subject to taxes at the time of distribution. **Earnings on Roth contributions** are free from taxation at the time of distribution *if* the distribution occurs in the fifth year after the first Roth contribution or later, *and* as long as the participant is 59½ years old, disabled, or deceased. By contrast, **pre-tax contributions** and **earnings on pre-tax contributions**, are not taxed until they are distributed.

How do you measure the five years?

First, you record the date of the first Roth contribution to the BERS TDA Program. Then, you count until *January 1 of the fifth year after that date*.

Example A. On 03/01/2024, Alice begins making Roth contributions to the BERS TDA Program. These contributions accumulate fixed interest and variable earnings. On 01/31/2026, Alice applies for a refund from her Roth TDA balance. The contribution portion of this refund will not be taxed, but the earnings *will* be taxed, because the refund happened in the third year after the first Roth contribution.

Example B. On 01/01/2024, Bob begins making Roth contributions to the BERS TDA Program. These contributions accumulate fixed interest and variable earnings. On 01/31/2029, Bob applies for a refund from his Roth TDA balance. The contribution portion of this refund will not be taxed, and the earnings are *exempt* from taxes, because the refunds happened in the fifth year after the first Roth contribution. Thus, no taxes at all will be withheld from the refund! Note that the refund was not a full five years from the first Roth contribution, but it took place in the *fifth calendar year*.

What about state taxes?

The above rules apply to taxation by the federal government and New York State. If you reside, or plan to move to, a different state, please consult a tax professional for advice.

When can I withdraw my Roth contributions and earnings from the BERS TDA Program?

The refund eligibility rules are the same, whether your contributions were made on a pre-tax or Roth basis. You may request a TDA withdrawal after reaching age 59½ years of age, or after separation from service.

Do I have to take Required Minimum Distributions (RMDs) from my Roth contributions?

Roth contributions and earnings are not subject to RMDs as long as the participant is still alive. Only pre-tax contributions and earnings will be used in the calculation of RMDs.

However, inherited account holders *do* need to receive RMDs from their Roth TDA balances after the original participant's death. An inherited account holder may be either a beneficiary or an alternate payee under a Domestic Relations Order who received a portion of the original participant's account and elected to leave this portion with BERS.

How do I begin making Roth contributions to the BERS TDA Program?

You can begin making Roth contributions by submitting a TDA Enrollment form (if you are newly signing up for the BERS TDA Program), or a TDA Investment Change form (if you already have a BERS TDA account). The CONTRIBUTION RATE section has been revised, as per the picture below. If you enter a number in the ROTH box, BERS will begin withholding Roth TDA contributions as soon as possible.

CONTRIBUTION RATE

You may contribute between 1% and 85% of your salary to the TDA Program. The sum of your Pre-tax and Roth TDA contributions cannot exceed 85%. Your TDA deductions are based on your contribution rate. Any increase in your pay will result in a higher dollar amount deducted from your paycheck. For more information about Roth contributions, see page 4 below.

PRE-TAX %

ROTH %

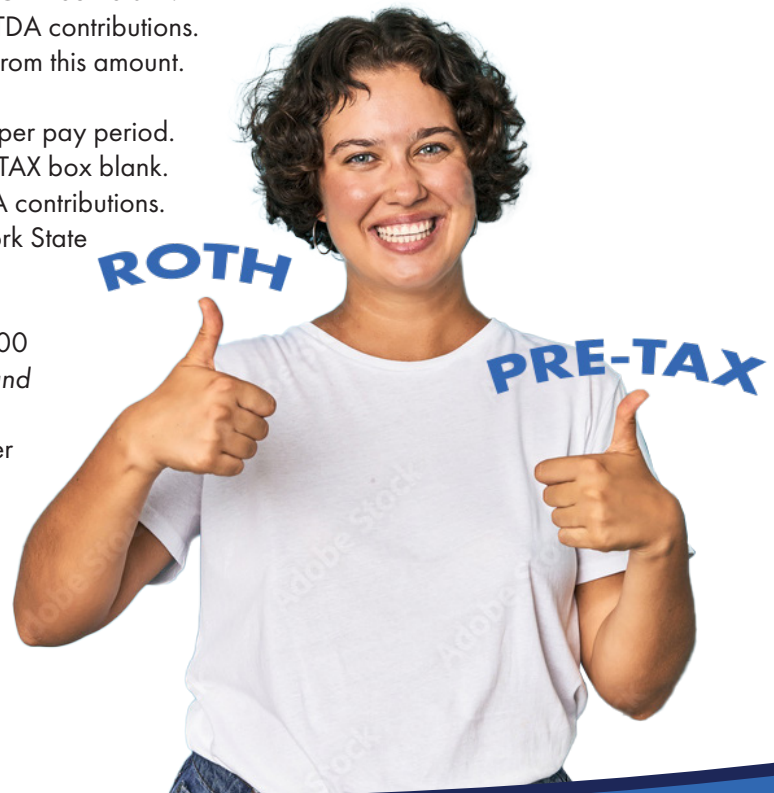
Can I make both pre-tax and Roth contributions to the BERS TDA Program?

Yes. You may select only pre-tax contributions, only Roth contributions, or a combination of the two. The dollar amount of your contribution will always be based on your gross compensation.

Example A. Alice earns a gross amount of \$2,000 per pay period. She enters 5% in the PRE-TAX box and leaves the ROTH box blank. BERS will withhold \$100 per paycheck as pre-tax TDA contributions. No federal or New York State tax will be withheld from this amount.

Example B. Bob earns a gross amount of \$2,000 per pay period. He enters 5% in the ROTH box and leaves the PRE-TAX box blank. BERS will withhold \$100 per paycheck as Roth TDA contributions. This amount will be \$100 *after* federal and New York State taxes have been withheld.

Example C. Charlie earns a gross amount of \$2,000 per pay period. He enters 5% in the PRE-TAX box and 5% in the ROTH box. BERS will withhold \$100 per paycheck as pre-tax TDA contributions, and another \$100 per paycheck as Roth TDA contributions. No federal or New York State tax will be withheld from the pre-tax TDA contributions, but the Roth contributions will be \$100 *after* federal and New York State taxes have been withheld.



Roth contributions are contributions that are taxed when they are made.

How do I stop making Roth contributions to the BERS TDA Program?

You can use the TDA Investment Change form. If you wish to stop only your Roth contributions, but you would like to continue making pre-tax contributions to the BERS TDA Program, then complete the CONTRIBUTION RATE section, enter a number into the PRE-TAX box, and leave the ROTH box blank.

CONTRIBUTION RATE

You may contribute between 1% and 85% of your salary to the TDA Program. The sum of your Pre-tax and Roth TDA contributions cannot exceed 85%. Your TDA deductions are based on your contribution rate. Any increase in your pay will result in a higher dollar amount deducted from your paycheck. For more information about Roth contributions, see page 4 below.

PRE-TAX %

ROTH %

On the other hand, if you wish to stop *all* contributions to the BERS TDA Program, check the STOP CONTRIBUTION box as seen below:

STOP CONTRIBUTION

I elect to stop the ongoing conversion of my past contributions between the Fixed and Variable Programs.

STOP CONTRIBUTION* (SEE NOTE BELOW)

IMPORTANT: This option is to stop all contributions.

I elect to stop my current contributions to the TDA Program by checking the box on the left and by my signature below. An election to stop contributions will take up to 60 days to become effective.

*NOTE: Please allow approximately 30 days for your election to take effect. For employees on a summer pay schedule, elections may take up to 12 weeks to be processed. Please plan accordingly.



Can I sign up for Roth contributions using the Member Self-Service (MSS) Portal?

Yes. If you are enrolled in the [BERS MSS Portal](#), you can update your TDA contribution rate and investment election through the portal. This includes signing up for Roth contributions and ending Roth contributions.

How do I decide which is better for me, pre-tax TDA contributions or Roth TDA contributions?

The answer to this question will depend on your individual circumstances. As a general rule, pre-tax TDA contributions reduce your tax burden during your working years, while Roth contributions reduce your tax burden in retirement. However, **BERS cannot provide legal or tax advice**, so this is a question you should discuss with your tax professional, who will take your overall tax situation into account.

How are my Roth contributions invested between the Fixed Program and the Variable Program?

Your Roth contributions to the BERS TDA Program will be invested in the same way as your pre-tax contributions. The fixed interest rate, the variable incremental increase, and the variable unit value are all the same for Roth contributions as for pre-tax contributions. To change your investment election, you may file a TDA Investment Election form, or submit a request using the BERS MSS Portal.

What is the maximum amount of Roth contributions I can make in a year?

The maximum contribution amount permitted by federal law in a single year includes all contributions, pre-tax or Roth, to all TDA and/or 401(k) programs that you may be enrolled in. Pre-tax and Roth contributions are added together, dollar for dollar.

For 2024, the contribution limits are as follows:

1. The base TDA goal amount for 2024 is \$23,000.
2. Members aged 50 or older are eligible to contribute an additional \$7,500 in 2024.
3. Members who have been employed by the Department of Education for at least 15 years, and whose combined TDA and 401(k) contributions during their employment average less than \$5,000 annually, may be eligible for service-based contributions, up to \$3,000 per year, with a lifetime maximum of \$15,000.

What will change in 2026?

Beginning January 1, 2026, the SECURE 2.0 Act will require that certain age 50 catch-up contributions can only be made as Roth contributions.

1. A member age 50 or older who earned \$145,000* or less in the prior calendar year (2025) will have the option of making age 50-catch-up contributions *either* on a pre-tax or on a Roth basis.
2. A member age 50 or older who earned more than \$145,000* in the prior calendar year (2025) can make age 50 catch-up contributions *only* on a Roth basis.

*This rule was originally intended to take effect on January 1, 2024, but the IRS announced that enforcement was postponed by two years. This \$145,000 figure is indexed to inflation, so it is expected to be somewhat higher by January 1, 2026.