



ROTH OPTION



PERAPlus 401(k)/457 Plan Roth Highlights

Colorado PERA is now offering an exciting new savings option. The Roth option of the PERAPlus 401(k)/457 Plans can help you save toward the future and may also provide tax-free withdrawals when you retire.

Unlike traditional PERAPlus 401(k)/457 pre-tax contributions, Roth contributions are taxed before the money is contributed to the Plan. Any earnings on Roth contributions grow tax-free, and distributions will also be free of federal (and where applicable, state and local) income taxes, provided they are qualified distributions.

A qualified distribution must meet the following criteria:

1. The first Roth contribution has been in the Plan for at least five tax years (or sooner, if assets were in a Roth account in another employer-sponsored plan for at least five tax years and then rolled over into the Plan), **and**
2. The participant is either at least age 59½ or disabled*, or the distribution is to be made to a beneficiary after the participant's death.

* PERAPlus 457 Plan participants can take a withdrawal if they are still working at age 70½ or older.

Roth Conversions

Roth conversions are available for eligible distributions from the pre-tax portion of the PERAPlus 401(k)/457 Plans. Money may be converted to Roth funds at the participant's direction. Converted amounts are taxable in the year converted.

Things to consider:

- Roth contributions are made through payroll deductions just like your pre-tax contributions, except Roth contributions are deducted from your paycheck after taxes have been taken out.
- The same PERAPlus investment options available for traditional PERAPlus pre-tax contributions are available for Roth contributions. However, you may select different investment allocations for pre-tax and Roth contributions.
- Whether you make pre-tax or Roth contributions, the total amount you may contribute to either the PERAPlus 401(k) or 457 Plan is subject to the annual IRS contribution limits. See the Plan websites for current limits.
- Any matching employer contributions are always made on a pre-tax basis, regardless of whether you are contributing on a pre-tax or Roth basis.
- Roth money cannot be used to purchase PERA service credit.
- Contributing to the Roth option will not affect PERA Highest Average Salary (HAS).
- You may take a loan from your Roth account.

Comparing the PERAPlus Roth option to a Roth IRA

- You may make Roth contributions to your PERAPlus 401(k)/457 Roth account regardless of your income level.
- You can contribute more money to the PERAPlus Roth accounts than a Roth IRA. The annual contribution limits for the Roth accounts in the PERAPlus Plans are significantly higher than the annual contribution limit of a Roth IRA.
- There are no required minimum distributions from a Roth IRA. However, PERAPlus Roth distributions are required at the later of age 70½ or the date you stop working for your employer. If you do not take your required minimum distribution, a 50 percent penalty would apply to all amounts not taken from the PERAPlus 401(k)/457 Roth account.
- A Roth IRA does not have withdrawal restrictions (you can withdraw your Roth IRA funds at any time, subject to applicable taxes), while withdrawals from your PERAPlus 401(k)/457 Roth account are limited to termination of employment, financial hardship/unforeseen emergency, death, disability, or attainment of age 59½ (401[k]) or age 70½ (457) while employed.
- PERAPlus Roth amounts may be rolled into another 401(k), 403(b), or governmental 457(b) plan that has a Roth feature, or to a Roth IRA. However, if the amounts are rolled to a Roth IRA, the amounts are subject to the five-year taxable period of that Roth IRA.

Who can enroll in the Roth option?



PERAPlus 457 Roth Option

- All employees working for a PERA employer that is affiliated with the PERAPlus 457 Plan and has adopted the Roth option
- Retirees who have returned to work for a PERA employer that is affiliated with the PERAPlus 457 Plan and has adopted the Roth option
- Members working for an employer that has not adopted the Roth option who would like to roll money into the PERAPlus 457 Plan Roth option

PERAPlus 401(k) Roth Option

- All employees working for a PERA employer that has adopted the Roth option
- Retirees who have returned to work for PERA employers that have adopted the Roth option
- Retirees, inactive members, and members working for an employer that has not adopted the Roth option who would like to roll money into the PERAPlus 401(k) Plan Roth option

Get started!

PERAPlus 457 Roth Option

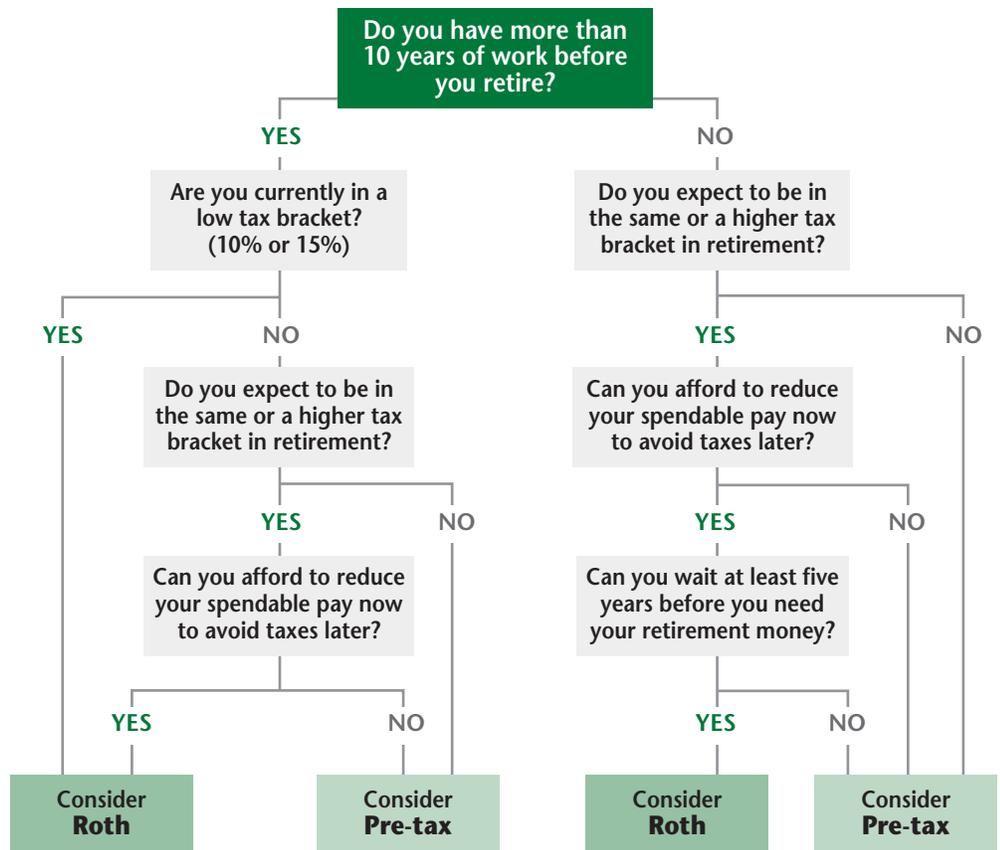
1. Access your PERAPlus 457 Plan account through www.copera.org using your User ID and password.
2. Once you are in your PERA account, click on the **PERAPlus 457 Plan** link.
3. Go to **Account** in the top navigation area and choose **Change Contributions**.
 - On this page you will be asked to update your tax deferred and 457 Roth contribution elections.
4. Then, select **Next** which takes you to a page to confirm your changes to your future contributions.
5. If you agree with the changes, select **Submit**.

PERAPlus 401(k) Roth Option

1. Submit a **401(k) Contribution Authorization** form to your personnel office.
2. If you would like to roll money from another plan into the Roth option, submit a **Colorado PERA 401(k) Plan Rollover** form.
3. Both forms are available on the PERAPlus 401(k) Plan website accessible through www.copera.org.

Is Roth right for you?

As you decide whether you want to make PERAPlus Plan pre-tax or Roth contributions, or a combination of the two, your own personal circumstances and financial goals are important. Here are some of the questions that may help you make a decision:



Source: www.mndcplan.com/decision-tree.html

This fact sheet provides information about the PERAPlus 401(k)/457 Roth options. Your rights, benefits, and obligations as a Colorado PERA member are governed by Title 24, Article 51 of the Colorado Revised Statutes, the Rules of the Colorado Public Employees' Retirement Association, the *401(k) and Defined Contribution Plan and Trust Document*, and the *PERA Deferred Compensation Plan*, which take precedence over any interpretations in this fact sheet.

These materials are not intended to be used to avoid tax penalties, and were prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax adviser.