



# Upcoming changes to the NYU retirement program

Effective January 1, 2024





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## **Are you an NYU retiree or no longer employed by NYU?**

Although you are not actively contributing to the retirement program, you have balances in one or more of the accounts. While you don't have to take action at this time, you should review this information to learn how the changes may affect you.

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## **We're here to help**

### **Take action in December**

You can update your contribution amount and select Roth contributions for your 2024 contributions beginning December 1, 2023.

# Changes to the NYU retirement program

NYU strives to offer a retirement program that helps you build long-term financial security. As part of this commitment, the Retirement Plan Administration Committee (the Committee) reviews the program's design and plan services to provide you with options to help you meet your personal saving and investment goals.

The Committee has decided to add a Roth (after-tax) contribution option and a Roth in-plan conversion feature to offer more flexibility in the NYU retirement program. These features will be available to the NYU Retirement Plan for Members of Faculty, Professional Research Staff and Administration, and the NYU Supplemental Tax Deferred Annuity Plan (the Plans), **effective January 1, 2024**.\* This brochure describes changes and steps you may want to consider as a result.

## Roth contribution option

Currently, in the NYU retirement program, pretax contributions accumulate tax deferred and are generally not subject to federal, state or local taxes until withdrawal. Effective January 1, 2024, you will be able to make Roth after-tax contributions in addition to or instead of pretax contributions.

With the Roth contribution option, taxes are paid at the time of contribution, making your Roth savings (including earnings) tax free when distributed, subject to certain qualifications.

Withdrawals of contributions and earnings after age 59½ can be tax free if the withdrawal or distribution is taken at least five years after the Roth contributions were first made. The five-year period begins on January 1 of the year in which the contribution was made and ends on December 31 of the fifth year after the contribution. However, you still have to meet other qualifications for the tax-free withdrawal such as being at least age 59½, disabled, or no longer employed with NYU.

Roth contributions may be advantageous if you anticipate being in the same or a higher tax bracket in the future. These tax benefits are similar to those of a Roth IRA. However, Roth contributions made in the NYU retirement program have a higher contribution limit than a Roth IRA, which can help you save more.

Beginning December 1, 2023, you can update your online salary deferral contribution information to **future date** your contribution details to be in effect for the first paycheck of 2024. Visit **NYUHome** and review the back cover of this brochure for more information on how to access your account.

## Roth in-plan conversion feature

You will have the option to convert some or all of your employee pretax retirement savings in the Plans (contributions and earnings) to Roth savings with the Roth in-plan conversion feature, also beginning January 1, 2024. Employer contribution amounts are not eligible to be converted to Roth. **Roth in-plan conversions cannot be reversed after the pretax assets are converted.**

The amount converted is treated as taxable income in the year of conversion. The taxes owed must be paid by you with your money outside of the NYU retirement program—no taxes are withheld as part of the conversion transaction. See page 3 for more information.

**Please note:** Neither NYU nor the TIAA group of companies offers tax advice. Only you, with the assistance of a personal tax advisor, can make decisions about your contribution options and anticipated tax rate.

\* The Roth contribution option or Roth in-plan conversion feature will only be available in the NYU Retirement Plan for Members of Faculty, Professional Research Staff and Administration (including the NYU Retirement Plan - Former Polytechnic Plan), and the NYU Supplemental Tax Deferred Annuity Plan. The NYU Section 457(b) Deferred Compensation Plan, the NYU Retirement Plan for Adjunct Faculty Members, and Local 1 Security Officers Union Money Purchase Pension Plan & Trust will not have the Roth contribution option or Roth in-plan conversion feature added.

# Understanding your new contribution option

## How the Roth contribution option works

You can make contributions on a Roth basis using after-tax dollars from your paycheck. You can withdraw the balance and any earnings tax free if the distribution occurs at least five years after the year of your first Roth contribution, and you are age 59½ or older, disabled, or no longer employed with NYU. In the event of your death, your beneficiaries may make withdrawals at any time.

## How the Roth contribution option is different from pretax contributions

**You pay taxes later with traditional pretax contributions.** Traditional pretax contributions give you a tax break now by lowering your current taxable income. You pay taxes on your contributions and any earnings when you take the money out, typically in retirement. Upon withdrawing money from your NYU retirement program account, you will pay ordinary income taxes on the amount withdrawn.

**You pay taxes now with Roth after-tax contributions.** Unlike traditional pretax contributions, withdrawals of Roth contributions and earnings can be tax free since you have already paid the taxes when the contributions were made.

## Higher contribution limits than Roth IRAs

Contributions made on a Roth basis have the same limit as pretax contributions, which is higher than the limit applicable to Roth IRAs. For 2024, the Roth IRA contribution limit is \$7,000 if you're under age 50 and \$8,000 if you're age 50 or older.

The **combined** (Roth and pretax) contribution limit for 2024 is \$23,000 if you're under age 50 and \$30,500 if you're age 50 or older.

The IRS contribution limits reflect the total amount allowed for voluntary employee contributions made in a calendar year. Roth and pretax contributions combined, as well as any voluntary employee contributions made to a different employer's plan, may not exceed the annual IRS contribution limit.

## No income restrictions

The new Roth contribution option doesn't have income restrictions. If your income is too high to qualify for a Roth IRA, you can still make contributions to the NYU retirement program on a Roth basis instead of, or in addition to, contributions made on a pretax basis.

## Employer contributions

Employer contributions will continue to be made on a pretax basis. Therefore, upon withdrawal, you will need to pay income tax on any contributions and earnings made by NYU on your behalf.

## Required distributions

Beginning January 1, 2024, required minimum distributions (RMDs) from contributions made on a Roth basis in employer-sponsored retirement plans will no longer be required. RMDs are required to be taken by individuals who reach age 73 and are no longer working. Please consult your tax advisor with questions.

## Loans and withdrawals

Roth contributions may reduce your loan-taking capacity. Your Roth savings will be included in the calculation of your loan amount availability, but the loan amount must come from your employee pretax retirement savings balance only. If you only have Roth savings, you will be unable to take a retirement plan loan. Please take this into consideration when exploring Roth contributions.

Your Roth savings will be available for in-service withdrawals and hardship withdrawals as needed. Roth savings have the same eligibility criteria as pretax savings for these withdrawals.

**Please note:** Neither NYU nor the TIAA group of companies offers tax advice. Only you, with the assistance of a personal tax advisor, can make decisions about your contribution options and anticipated tax rate.

# Roth in-plan conversion feature

Beginning January 1, 2024, you will have the opportunity to convert some or all of your NYU Retirement Plan for Members of Faculty, Professional Research Staff and Administration and/or the NYU Supplemental Tax Deferred Annuity Plan employee pretax retirement savings (contributions and earnings) to Roth with the Roth in-plan conversion feature. Once the conversion event is at least five years old, a qualified distribution of Roth contributions and earnings can be made tax free.

Choosing a Roth in-plan conversion is a personal decision and, similar to the Roth contribution option described on prior pages, this decision depends on your individual situation. If you anticipate being in the same or a higher tax bracket during retirement, you may benefit from exploring a Roth in-plan conversion. You should consult your tax advisor.

**Important:** Roth in-plan conversions cannot be reversed after the pretax assets are converted. **The amount converted is treated as taxable income in the year of conversion. The taxes owed must be paid by you with your money outside of the NYU retirement program—no taxes are withheld as part of the conversion transaction.**

## Things to consider

- Once pretax assets are converted to Roth, they cannot be reversed. **Conversion of pretax assets to Roth assets will create a taxable event.**
- Tax implications can be a large burden when converting employee pretax savings to the Roth option in your NYU retirement program. The amount converted is treated as taxable income in the year of conversion. You will receive a 1099-R form from TIAA.
- You will be responsible for paying taxes on the full conversion amount, as TIAA will not withhold taxes from the amount converted to Roth. Consult your tax advisor prior to requesting a conversion.

## Five-year holding period

- There is a five-year holding period required for tax-free withdrawal of Roth contributions and earnings from the NYU retirement program. The five-year period begins on January 1 of the year in which the conversion event takes place and ends on December 31 of the fifth year after the conversion. However, you still have to meet other qualifications for the tax-free withdrawal such as being at least age 59½, disabled, or no longer employed with NYU. In the event of your death, your beneficiaries may make withdrawals at any time.
- An additional five-year holding period is used to determine if a 10% recapture tax is applicable when a distribution of converted amounts is taken. This five-year period is in addition to the five-year period discussed above for the tax-free distributions of contributions and earnings.
- The additional 10% early withdrawal tax doesn't apply to the amount of an in-plan Roth conversion. However, the distribution amount may be taxable and subject to the additional early withdrawal tax if you withdraw it from the NYU retirement program before the end of the five-year period.
- Each Roth in-plan conversion event is subject to a separate five-year holding period.

**Before electing a Roth in-plan conversion, you should consult your tax advisor to ensure this strategy is consistent with your overall personal financial goals.**

For more information about the Roth in-plan conversion feature, please contact TIAA at **844-NYU-TIAA**, weekdays, 8 a.m. to 10 p.m. (ET), or visit **TIAA.org/schedulenow** to schedule a one-on-one session with a TIAA financial consultant.

# Disclosures

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## **Advice (legal, tax)**

Neither NYU nor the TIAA group of companies provide legal or tax advice. Please consult your legal or tax advisor.

Advice provided by our Field Consulting Group is obtained using an advice methodology from an independent third party. Advice services provided by our Individual Advisory Services Group are provided by Advice & Planning Services, a division of TIAA-CREF Individual & Institutional Services, LLC, a registered investment adviser.

Individual Advisory Services may not be available to all participants. Advisory services through Individual Advisory Services are a fee-for-services charge to the employee.

## **Roth retirement plan option**

Neither NYU nor the TIAA group of companies offers tax advice. See your tax advisor regarding your particular situation.

Withdrawals of earnings prior to age 59½ are subject to ordinary income tax, and a 10% early distribution penalty tax may apply. Earnings can be distributed tax free if distribution is no earlier than five years after contributions were first made and you meet at least one of the following conditions: age 59½, disabled, or no longer employed with NYU. Beneficiaries may receive a distribution in the event of your death.

Required minimum distributions (RMDs) from contributions made on a Roth basis in employer-sponsored retirement plans are no longer required beginning January 1, 2024. RMDs due in 2023 are still required, including RMDs due to individuals who reach age 73 in 2023 that may be taken in 2024.

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This brochure updates the information provided to you in the most recent annual participant notice and does not replace the plan document. If there is any ambiguity between this brochure and the plan document, the terms of the plan document will prevail. Please keep a copy of this brochure for your records.

**Investment, insurance, and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.**

**You should consider the investment objectives, risks, charges, and expenses carefully before investing. Please call 877-518-9161 or go to [TIAA.org/nyu](https://TIAA.org/nyu) for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.**

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# Online account access

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Active employees and retirees may access and manage their TIAA retirement account through **NYUHome**. Using your NYU NetID and password information, follow these steps:

- 1** Log in to **NYUHome** using secure Multi-Factor Authentication (MFA).
- 2** Click the *NYU Retirement Plans* card and click *Go*. You may also search *TIAA* in the upper-right corner.
- 3** Click *Actions*.
- 4** Click *Manage contributions* under the *All accounts* heading.

## We're here to help

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### NYU retirement plans helpline at TIAA

For assistance, call **844-NYU-TIAA (844-698-8422)**, TIAA's dedicated phone number for all plans in the NYU retirement program. You can ask questions about the retirement program and get help navigating your online TIAA retirement account. Call weekdays, 8 a.m. to 10 p.m. (ET).

