

# 457b Roth FAQ

## Plan Eligibility and General Information

### *What are some key differences between 457b Pre-Tax and 457b Roth payroll contributions?*

#### **457b Pre-Tax:**

- Payroll contributions that lower taxable income
- Distributions taxed as income
- Penalty-free withdrawals after 31 days of separation from employment

#### **457b Roth:**

- Post-tax payroll contributions
- Qualified distributions are not included in gross income
- 457b Roth qualified distribution rules apply

### *Who is eligible to enroll in the Plan?*

The Florida Deferred Compensation Plan is offered to all State of Florida Government Employees. This includes OPS employees, employees of the State University System, the State Board of Administration, and other Government Employers, including Counties\*, Cities\*, State Colleges\*, Special Districts\*, Water Management Districts\*, and more\*.

*\*Subject to employer participation.*

### *When will I be taxed on the 457b Roth payroll contributions I defer and the earnings I accrue?*

457b Roth payroll contributions are subject to Federal Income Tax withholding at the time they are contributed to the Plan. Investment earnings grow tax-free. Qualified distributions are not taxed but are reportable.

If your distribution does not meet the definition of a qualified distribution, you must include the earnings portion of the nonqualified distribution in gross income. However, the basis (or contributions) portion of the nonqualified distribution is not included in gross income. Your Investment Provider(s) will provide you with the *1099 Form(s)* stating the proper amount of income to include on a Federal Tax Return.

## Enrollment

### *When and how can I enroll?*

Eligible employees may enroll in the Plan at any time of the year\* and not just during the Open Enrollment Period.



- Use the **Enroll Now** button on [MyFloridaDeferredComp.com](https://MyFloridaDeferredComp.com) to fill out and submit the online *EZ Enrollment Form*. This option allows you to set up 457b Pre-Tax and/or 457b Roth payroll contributions in one step.
- Print and complete the 457b Pre-Tax and/or 457b Roth *EZ Enrollment Form(s)*, located at [MyFloridaDeferredComp.com](https://MyFloridaDeferredComp.com), under **Publications, Administrative Documents, and Forms**. Either fax (850-488-7186) or mail (200 East Gaines Street, Tallahassee, FL 32399) the completed form(s) to the Bureau of Deferred Compensation. Complete both the 457b Pre-Tax and 457b Roth *EZ Enrollment Forms* to elect both 457b Pre-Tax and 457b Roth payroll contributions at enrollment.
- Contact an Investment Provider to set up enrollment.
- Set up enrollment using an Investment Provider's online enrollment procedure, via the Provider's website.

*\*Processing of paperwork will determine the exact date deferrals will start after enrollment has been initiated.*

### *Do I need to re-enroll to begin making 457b Roth payroll contributions if I'm already enrolled in the Plan?*

No. Participants can use the online *Increase Contributions Form* or contact their Investment Provider(s) to start 457b Roth payroll contributions.

### *Are beneficiary designations the same for 457b Pre-Tax and 457b Roth payroll contributions?*

Beneficiary designations apply to both 457b Pre-Tax and 457b Roth payroll contributions held by a Participant's Investment Provider(s). Participants with multiple Investment Providers should designate beneficiaries with each of their Investment Providers.

## Contributions

### *What is the minimum amount I can contribute to the Plan per pay period? Maximum?*

The minimum payroll contribution is \$20 per monthly pay period or \$10 per bi-weekly pay period. Contributions as a percentage cannot exceed 80% of a Participant's paycheck. The maximum contribution limits for 457b retirement plans are determined by the Internal Revenue Service (IRS) and are updated yearly. Both 457b Pre-Tax and 457b Roth payroll contributions are combined and subject to Internal Revenue Code (IRC) Section 457b limits.

For the most up-to-date maximum limits, see Internal Revenue Code (IRC) Section 457b at [IRS.gov](https://www.irs.gov), or view the current contribution limits and suggested bi-weekly and monthly deferral amounts at [MyFloridaDeferredComp.com](https://www.MyFloridaDeferredComp.com) under *Publications, Administrative Documents, and Forms*.

### *Can my employer match my 457b Roth contributions? Must my employer allocate the matching contributions to a 457b Roth account?*

Yes. Your employer can make matching contributions on your 457b Roth contributions. However, your employer can only allocate your 457b Roth contributions to your 457b Roth account. Your employer must allocate any contributions to match 457b Roth contributions into a pre-tax account.

### *What is a 457b Pre-Tax payroll contribution?*

A 457b Pre-Tax payroll contribution is a type of elective deferral made to your 457b Deferred Compensation Plan from your paycheck.

The amount of the 457b Pre-Tax contribution is not included in the employee's gross income at the time of the payroll contribution. Distributions from the account are included in gross income and subject to all applicable wage-withholding requirements.

### *What is a 457b Roth payroll contribution?*

A 457b Roth payroll contribution is a type of elective deferral made to your 457b Deferred Compensation Plan from your paycheck.

With a 457b Roth payroll contribution, the employee irrevocably designates the deferral as an after-tax contribution. The amount of the 457b Roth contribution is included in the employee's gross income at the time of the payroll contribution and is subject to all applicable wage-withholding requirements. Qualified distributions are not subject to income tax.

### *Can I make both 457b Pre-Tax and 457b Roth payroll contributions in the same year?*

Yes. You can contribute to both 457b Pre-Tax and 457b Roth in the same year in any proportion you choose.

### *Can I change my mind and have 457b Roth contributions treated as 457b Pre-Tax elective contributions?*

No. Once you designate contributions as 457b Roth contributions, you cannot later change them to 457b Pre-Tax elective contributions.

### *Can I contribute to both the 457b Roth and the Roth IRA?*

Yes. Your ability to contribute to a Roth IRA does not change by making 457b Roth contributions.

### *Does the 457b Roth restrict payroll contributions if you earn a certain amount of annual income, like a Roth IRA?*

Currently, the 457b Roth does not restrict higher wage earners from contributing. An employee can contribute the annual maximum to the 457b Roth, regardless of their earned income.

### *Can I make 457b Roth payroll contributions for my spouse if my spouse has no earned income, as permitted with a spousal Roth IRA account?*

No. Although you can contribute to a Traditional IRA or Roth IRA for your spouse, based on your earned income, you cannot contribute to the 457b Roth for your spouse.

## Investment Options

### *Are there separate investment options for 457b Pre-Tax and 457b Roth payroll contributions?*

No. The same investment options are available for 457b Pre-Tax and 457b Roth payroll contributions.

### *Can I direct the investments of my 457b Roth payroll contributions differently than my 457b Pre-Tax payroll contributions?*

You decide how to direct your payroll contributions to the Plan. Contact your Investment Provider for additional information.

## Transfers (Roll-Ins, Supplemental Pay, and Conversions)

### *Are 457b Roth conversions available to retired or separated employees?*

Yes. Roth conversions are available to retired and separated employees. Please contact your Investment Provider for additional information.

### *Are in-plan 457b Roth conversions of existing 457b Pre-Tax contributions to 457b Roth contributions allowed?*

Yes. Contact your Investment Provider for information about the conversion of existing 457b Pre-Tax contributions to 457b Roth contributions.

### *Is income tax withholding required on in-plan 457b Roth conversions?*

There is no income tax withholding required on an in-plan 457b Roth conversion. Please contact your Investment Provider for additional information.

### *Am I able to consolidate outside retirement accounts into my Deferred Compensation Plan account?*

Yes. Assets from eligible pre-tax and post-tax retirement accounts (e.g. 401k, 403b, 457b, DROP, FRS Investment Plan, or IRAs) can be consolidated into the Plan. Contact your Investment Provider to request the *Rollover Into/ Out of Florida Plan Form* to begin this process.

### *Am I able to invest any of my payment for accrued leave compensation into the Plan?*

Accrued leave payments may be invested into the Plan as 457b Pre-Tax or 457b Roth payroll contributions—provided the annual contribution limit is not exceeded.

457b Pre-Tax accrued leave payments are subject to Social Security and Medicare taxes. The portion of your payment held for Social Security and Medicare taxes is considered taxable income and will be subject to Federal Income Tax. The State Payroll System uses a formula that satisfies these tax requirements and calculates the maximum possible accrued leave contribution. The amount deferred will not be subject to Federal Income Tax.

If you elect to contribute your leave payout as a 457b Roth contribution, the entire contribution will be taxed as income and will be subject to Social Security, Medicare, and Federal Income Tax.

## Distributions

### *What is a qualified distribution from a 457b Roth account?*

A qualified distribution is generally a distribution that is made after a 5-taxable-year period of participation and is either made on or after the date you attain age 59 ½, made after your death, or attributable to your being disabled.

If a distribution is made to your alternate payee or beneficiary, then your age, death, or disability is used to determine whether the distribution is qualified. The only exception is when the alternate payee or surviving spouse rolls over the distribution to his or her own employer's designated Roth account, in which case, their own age, death, or disability is used to determine whether the distribution is qualified.

A qualified distribution from a 457b Roth account is not included in your gross income.

### *What is a 5-taxable-year period of participation? How is it calculated?*

The 5-taxable-year period of participation begins on the first day of the taxable year for which you first made 457b Roth payroll contributions to the Florida Deferred Compensation Plan. It ends when five consecutive taxable years have passed. If you make a direct rollover from a designated Roth account under another plan, the 5-taxable-year period for the recipient plan begins on the first day of the taxable

year that you made designated Roth contributions to the other plan, if earlier.

If you are a re-employed veteran making 457b Roth contributions, your 457b Roth contributions are treated as made in the taxable year of qualified military service that you designate as the year to which the contributions relate.

Certain contributions do not start the 5-taxable-year period of participation. For example, a year in which the only contributions consist of excess deferrals will not start the 5-taxable-year period of participation.

### *What happens if I take a distribution from my 457b Roth account before the end of the 5-taxable-year period?*

If you take a distribution from your 457b Roth account before the end of the 5-taxable-year period, it is a nonqualified distribution. You must include the earnings portion of the nonqualified distribution in gross income. However, the basis (or contributions) portion of the nonqualified distribution is not included in gross income.

If you take a distribution from 457b Roth conversions, within 5 years of that conversion, it may be subject to a 10% recapture tax. Contact your Investment Provider for additional information.

### *Can you do an in-service distribution of 457b Roth payroll contributions?*

Distributions must meet the definition of a qualified distribution for tax-free treatment. Qualified distributions must be made after the end of the 5-year period, beginning with the first year for which a 457b Roth contribution was made to the Plan, and the Participant must have either reached age 59 ½, become disabled, or have died.

### *If an employee leaves employment or retires before age 59 ½, can they take withdrawals from their 457b Roth contributions without penalty?*

An employee must meet the definition of a qualified distribution for tax-free treatment.

### *What options do I have once I become eligible for distributions?*

- Periodic Distribution (on a schedule)
- Partial Distribution (taken when needed)
- Full Distribution (liquidate the account)
- Roll Out (move out of the Plan)

### *When must I take Required Minimum Distributions (RMDs) from my 457b Pre-Tax account? What about RMDs for 457b Roth?*

A Participant must start RMDs for their 457b Pre-Tax account on April 1st of the calendar year following the year of reaching age 73\*, then every year thereafter. However, if a Participant is still employed by the State of Florida when they turn 73\*, they are not required to begin a distribution and can continue to make payroll contributions to the Plan. Please see your tax advisor for additional information.

RMDs do not apply to 457b Roth accounts during the life of the owner.

*\*The SECURE Act may impact certain employees. Please contact your Investment Provider for more information.*

### *Are Unforeseeable Emergency Withdrawals from 457b Roth accounts subject to the 457b Roth qualified distribution rules?*

You cannot make an Unforeseeable Emergency Withdrawal from your 457b Roth payroll contributions.

### *Where can I find additional frequently asked questions?*

This FAQ contains 457b Roth related questions only. A full Florida Deferred Compensation Plan FAQ can be found at [MyFloridaDeferredComp.com/FAQ](https://MyFloridaDeferredComp.com/FAQ).