



The State University  
of New York

Office of the Chancellor

State University Plaza  
Albany, New York 12246

[www.suny.edu](http://www.suny.edu)

## **MEMORANDUM**

**November 15, 2017**

**TO: Members of the Board of Trustees**

**FROM: Kristina M. Johnson, Chancellor**

**SUBJECT: Addition of a ROTH Contribution Option to the Special Annuity Program**

### **Action Requested**

The proposed resolution approves the establishment of an after-tax Roth account within the Special Annuity Program authorized under Sections 398-a and 399 of the NYS Education Law.

### **Resolution**

I recommend that the Board of Trustees adopt the following resolution:

Whereas employees of the State University of New York may participate in the special annuity and custodial account programs authorized by NYS Education Law §§398-a and 399 (“Special Annuity Program” or “Program”); and

Whereas the plan administrator of the Special Annuity Program has determined that it would be beneficial to allow Program participants to contribute a portion of their salary to an after-tax Roth account, and to allow participants to perform “in-plan” conversions of pretax dollars to Roth (after-tax) dollars, of funds held in the Special Annuity Program; now, therefore, be it

Resolved that the Chancellor, or designee, be, and hereby is, authorized to create a Roth account within the Special Annuity Program and to permit Program participants to perform in-plan Roth conversions within the Special Annuity Program, effective January 1, 2018; and, be it further

Resolved that the Chancellor, or designee, be, and hereby is, authorized to take all steps necessary and appropriate to administer and implement the provisions of this Resolution.

### **Background**

The American Taxpayer Relief Act signed into law on Jan. 2, 2013 provided employers the option, but not the obligation, to amend their Internal Revenue Code 403(b) defined contribution retirement plans (“403(b) plan”) to add (or expand) the plan with a new conversion feature allowing participants to transfer pre-tax contributions to an after-tax Roth account. An in-plan Roth conversion of pretax (non-Roth) plan assets causes the converted amounts to become taxable in the year of the conversion, but allows any future qualified distributions of the converted amounts, along with any accumulated earnings, to be provided tax-free to the participant.

A designated Roth account is a feature in new or existing 403(b) plans. An employee may begin making designated Roth contributions to a 403(b) plan after he or she becomes a participant in the Special Annuity Program. The plan sponsor must amend the plan to add this feature before employees can make designated Roth contributions.

Employees will benefit from the tax-diversification benefits of the Roth feature.