

TDA Options at Retirement



When you retire, you may no longer make contributions to the Tax-Deferred Annuity (TDA) Program. In addition, you must make a decision regarding the distribution of your TDA funds at that time.

You have the following TDA distribution options at retirement:

- Deferral Status—You can maintain your TDA account and avoid paying taxes on your funds (and any investment return) until you receive them.
- Total Withdrawal—You can use or reinvest your TDA funds as you choose.
- Annuitization—You will receive a second monthly retirement allowance.

This brochure is intended only as a general summary of your TDA distribution options. Please consult your tax advisor before making a decision about your TDA account.

DEFERRAL STATUS

Chosen by many TRS members, this option allows you to defer distribution of your TDA funds past the initial payability date of your retirement allowance under the Qualified Pension Plan (QPP).

If you subsequently withdraw all of your TDA funds or choose to annuitize your funds, you would lose TDA Deferral status. (However, if you make a partial withdrawal of your TDA funds, your TDA Deferral status would not be affected.)

Tax Consequences

Taxes on your TDA funds would be deferred until those funds are distributed to you.

In most cases, you can maintain your TDA Deferral status as long as you have funds in TRS' TDA Program. However, in accordance with the Internal Revenue Code, you must begin meeting annual Required Minimum Distribution (RMD) requirements

if you have a TDA balance upon reaching age 70^{1/2}. TRS would inform you of your yearly RMD amount and the distribution options available to you. The distribution method that you elect will determine which taxes apply.

Loans

You may maintain your TDA loan balance after retirement as long as you have TDA Deferral status and comply with all other loan requirements. You may also be eligible to take a new TDA loan.

Death Benefits

TDA death benefits would be paid in accordance with your most recent TDA beneficiary designations. Your TDA balance would generally be distributed to your beneficiary(ies) in a lump sum.

TOTAL WITHDRAWAL

You may remove all of your TDA funds by:

- receiving a Direct Withdrawal;
- making a Direct Rollover to an eligible Individual Retirement Arrangement (IRA) or other successor program; and/or
- making a Direct Transfer to an eligible Section 403(b) Plan.*

**As a result of Internal Revenue Service (IRS) regulations governing Section 403(b) Plans, TDA participants are currently not permitted to move funds from TRS' TDA Program to a Section 403(b) Plan outside of New York City. On the advice of outside tax counsel, TRS has suspended all processing of requests to move TDA funds to a Section 403(b) Plan (except the New York City Board of Education Retirement System) pending further clarification from the IRS.*

Tax Consequences

If you receive a Direct Withdrawal and do not instruct TRS to directly roll over the distribution within 60 days of the withdrawal check, the withdrawal would generally be federally taxable and may be subject to state and local taxes. TDA funds that are distributed through a Direct Rollover are not taxable until they are received as income.

Loans

The amount of any outstanding TDA loan balance at retirement may be rolled over to an eligible IRA or other successor program. Any portion of a TDA loan at retirement that you do not instruct TRS to directly roll over would be subject to 20% withholding. If you have an outstanding TDA loan balance at retirement, a 20% withholding would be applied against a cash payment of your TDA withdrawal (if necessary). If the required withholding on your outstanding loan were greater than your cash payment, TRS would issue you a \$10 check and forward the balance to the IRS as a tax credit for the year of distribution.

Death Benefits

If you remove all of your funds from the TDA Program, no TDA death benefit would be payable.

ANNUITIZATION

You may begin receiving your TDA funds as an annuity separate from, and in addition to, your QPP retirement allowance. This annuity is payable in accordance with the payment option that you choose on your "TDA Annuitization Election Form" (code TD6).

If you elect to have your TDA funds distributed as an annuity at retirement, you must annuitize your entire TDA balance in conjunction with your retirement; this distribution would be effective as of your retirement date.

Tax Consequences

Amounts distributed to you as an annuity would generally be federally taxable and may be subject to state and local taxes.

Loans

You may not maintain an outstanding TDA loan balance once you annuitize your TDA funds.

You may roll over any outstanding loan balance to an eligible IRA or other successor program within 60 days of notification by TRS. Alternatively, you may repay any outstanding balance within 30 days of notification by TRS, and therefore increase your TDA annuity.

Any outstanding TDA loan balance that you do not repay would be deemed a distribution, which may have tax consequences; the distribution would be reported to the IRS.

Death Benefits

TDA death benefits would be paid in accordance with the payment option you elect on your "TDA Annuitization Election Form" and your most recent TDA beneficiary designations.

USEFUL PUBLICATIONS

- *TDA Program Summary*
- Brochures: *TDA Deferral Status, Required Minimum Distribution for Members, TDA Loans, and Guide to Death Benefits for Beneficiaries*

FORMS TO FILE

Deferral Status: • “TDA Deferral Status Election Form (For Retiring Members)” (code TD30)

- Withdrawal:** • “TDA Withdrawal Application” (code TD32) or online equivalent
- “TDA Direct Rollover Election Form” (code TD22)
(You must also file a “TDA Withdrawal Application” or online equivalent)
 - “TDA Loan Direct Rollover Election Form” (code LO58)
(You must also file a “TDA Loan Application” (code LO15))

Annuitization: • “TDA Annuitization Election Form” (code TD6)

- “TDA Loan Direct Rollover Election Form”
(You must also file a “TDA Loan Application”)

For your convenience, TRS forms and publications are available on our website. If you require additional assistance, we encourage you to contact our Member Services Center at 1 (888) 8-NYC-TRS.

This publication should not be solely relied upon, as it is based on currently available information that is subject to change. TRS suggests that you consult with an attorney and/or a tax advisor if you have any specific legal or tax questions concerning this information. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.



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