

TDA Deferral Status



This brochure provides answers to questions you may have about TDA Deferral status—one of the distribution options many retiring members choose for their funds in the Tax-Deferred Annuity (TDA) Program.

The information provided here is intended only as a general summary of the provisions of TDA Deferral status. Please consult your tax advisor before making a decision about your TDA distribution options.

What is TDA Deferral status?

TDA Deferral status is an option available to *retiring members* who wish to delay the distribution of their TDA funds past the initial payability date of their retirement allowance under the Qualified Pension Plan (QPP). *Vested members* also may elect TDA Deferral status if they separate from service (through resignation or termination) before they are eligible to retire.

What are the benefits of TDA Deferral status?

Deferring distribution of your TDA funds means that you will avoid paying taxes on those funds (and any resulting investment return) until you receive them. In addition, electing TDA Deferral status will allow you to delay some financial decisions (*e.g.*, When should I receive my TDA funds? Should I withdraw them or annuitize them?) that you may not be ready to make. With TDA Deferral status, you will have more time to consider these questions.

Electing TDA Deferral status will also enable you to do the following:

- change your investment elections four times a year;
- maintain an existing TDA loan; and
- take out a new TDA loan, subject to certain restrictions (see our *TDA Loans* brochure).

These opportunities would not be available to you otherwise.

For information about other TDA distribution options (*i.e.*, withdrawal and annuitization), please refer to the *TDA Program Summary* and the *TDA Options at Retirement* brochure.

How do I elect TDA Deferral status?

Your service or disability retirement application includes a section in which you must elect to annuitize, withdraw, or defer your TDA funds. If you elect TDA Deferral status, you must file a “TDA Deferral Status Election Form for Retiring Members” (code TD30) with your retirement application.

If you have attained vested status at the time you separate from service (through resignation or termination), you can elect TDA Deferral status by filing a “TDA Deferral Status Election Form for Vested Members” (code TD31); keep in mind that you must file the form within 30 days after the date of TRS’ notification letter that informed you of your vested rights.

How long would I be able to retain TDA Deferral status?

In most cases, you would maintain this status as long as you have funds in TRS’ TDA Program. If you elect to receive a Required Minimum Distribution (RMD) or partial withdrawal of any TDA funds, your TDA Deferral status would not be affected. However, if you annuitize your TDA funds or withdraw your remaining balance at any time, you would lose TDA Deferral status and all rights associated with it.

How would I learn the status of my TDA account?

You would receive a TDA Quarterly Statement every three months. Your statement includes comprehensive information about your account, including:

- the amount you have invested in each of TRS' Passport Funds at the beginning and the end of the quarter;
- any credits given, conversions made, and investment return posted during that period;
- the performance of TRS' Passport Funds during the past quarter;
- applicable loan information; and
- beneficiary information.

Would I be able to change the way my TDA funds are invested with TRS?

You would be able to change the way your TDA funds are invested on a quarterly basis by accessing the secure section of our website or filing a "TDA Investment Election Change Form" (code TD45) at any time. Your elections would take effect on the next quarterly conversion date that occurs at least 30 days after TRS receives your form or online request.

Would I be eligible to take a loan from my TDA account?

You would be eligible to borrow from your TDA funds if you have not defaulted on an existing TDA loan. You may receive one TDA loan within a 12-month period—subject to certain restrictions—and you must repay loans within five years. If you are a retiree, you may repay any loans through automatic deductions from your monthly retirement allowance or monthly direct payments to TRS; otherwise, you would need to submit monthly payments to TRS.

Please note that, upon total withdrawal or annuitization of your TDA funds, any outstanding TDA loan balance would be reported to the Internal Revenue Service (IRS) as a distribution. There may be other tax implications involved in taking a TDA loan.

For more information, please see the *TDA Loans* brochure.

How would I withdraw funds from my TDA account?

If you wish to take funds out of your TDA account, you have the following three options:

- a Direct Withdrawal;
- a Direct Rollover; or
- a Direct Transfer.

Direct Withdrawals

As a member with TDA Deferral status, you have unrestricted access to your funds in the TDA Program. You may withdraw all or part of your TDA funds by accessing the secure section of our website or by filing a "TDA Withdrawal Application" (code TD32); the distribution would be paid directly to you. The amounts you receive through a Direct Withdrawal generally are federally taxable, and may be subject to state and local taxes. **(Please note that, if you remove all of your TDA funds, you would lose TDA Deferral status and your participation in the TDA Program would cease.)**

You may also choose to roll over any portion of the funds you directly withdraw into an eligible Individual Retirement Arrangement (IRA) or other successor program within 60 days of the date of the distribution. The amount that you roll over would generally not be subject to federal, state, or local income taxes until you receive it as a distribution.

For more information on Direct Withdrawals, please see the *TRS TDA Program Summary*.

Direct Rollovers

You may directly roll over all or part of your TDA funds to an eligible IRA or other successor program by filing a "TDA Direct Rollover Election Form" (code TD22) in conjunction with a "TDA Withdrawal Application." The amount that you roll over would generally not be subject to federal, state, or local taxes until you receive it as income.

Direct Transfers

Note: As a result of 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.

Can I elect to annuitize my TDA funds?

If you are retired, you may elect to annuitize your TDA balance at any time. If you do so, you would lose TDA Deferral status.

When would I be required to take funds out of my TDA account?

In general, TDA distributions are required for members who have separated from service (having elected TDA Deferral status) and who have reached age 70½ by December 31 of a given year. In most cases, you will have to meet minimum distribution requirements for every year that you maintain a TDA

balance; this minimum amount is established by IRS regulations and is generally known as the Required Minimum Distribution (RMD).

Each year, TRS sends an RMD packet to members who are subject to distribution requirements for the year. The packet includes the calculated RMD amount for the current year and a form on which you may elect a distribution option to meet your RMD. You may instead access the secure section of our website to file your RMD election online. Your RMD amount is also shown on your TDA Quarterly Statement for the year's fourth quarter and on our website.

For more information, please see the *Required Minimum Distribution for Members* brochure.

How would death benefits be paid under TDA Deferral status?

TDA death benefits would generally be paid in a lump sum in accordance with your most recent "Designation of TDA Beneficiary Form" (code EN8) or online equivalent. For more information on TDA death benefits, please see the *Guide to Death Benefits for Beneficiaries* brochure.

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.



Teachers' Retirement System of the City of New York
55 Water Street, New York, NY 10041
www.trsnyc.org • 1 (888) 8-NYC-TRS