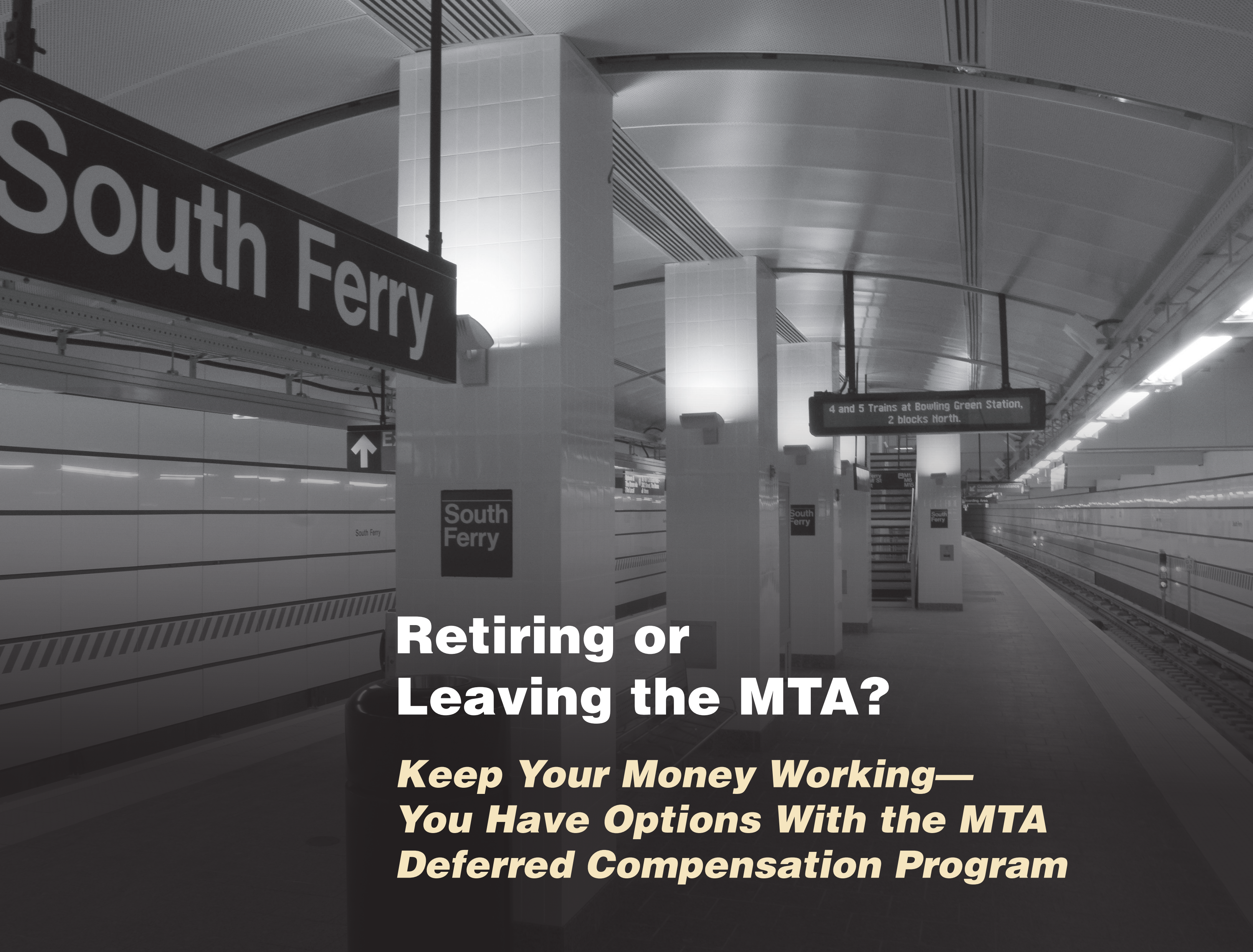


# Retiring or Leaving the MTA?

## *Keep Your Money Working— You Have Options With the MTA Deferred Compensation Program*

***MTA DEFERRED COMPENSATION PROGRAM***

>>> THE RIGHT DIRECTION

Metropolitan Transportation Authority

Prudential

**Leaving the MTA? Know your options. The MTA may be the last stop on your career path, or you may have more stops on the way to retirement. Wherever your journey takes you, choosing what to do with the money when you change jobs or retire is just one of many decisions you'll have to make—and it's an important one.**

## Here's what you should know:

» When you leave the MTA, you still have access to your MTA Deferred Compensation Program accounts.

» If you have questions, Prudential has answers. Call **877-PLN-4MTA** (877-756-4682) weekdays from 8 a.m. to 9 p.m. ET.

» When you leave the MTA, you have several options for your savings:

- Keep your money invested through the Program.
- Take a single "lump-sum" cash distribution.
- Take flexible cash distributions when you need the money or planned monthly installment payouts.
- Roll your savings over into another Qualified Retirement Account.
- Roll your savings over to a new employer's retirement plan (if applicable).

This brochure contains the highlights of what you should know and questions you should ask about each option.

# Keep Saving With the MTA Deferred Compensation Program

If you leave but choose to stay with the MTA Program, you don't need to take any action—your savings will still be available to you and will maintain its potential to grow for retirement.

By keeping your money in the Program:

- » Invested savings could continue to grow tax-deferred.
- » You'll still have access to professional expertise, tools and resources.
- » You can take advantage of low account and investment fees.
    - Because the MTA Program plans are very large, fees are negotiated with the fund managers, which is something you may not get from an individual financial advisor or other mutual funds in the marketplace.
- » You can take a plan loan from your 401(k) if you meet qualifications, even after leaving the MTA.*
- » You can invest amongst a range of investment choices selected and monitored by the MTA Deferred Compensation Committee.

As a retiree or terminated participant, you can still have access to the same dedicated Retirement Education Counselor team you've come to rely on by keeping your money in the Program. They are available whenever you need Program education and assistance.

Before you consider rolling money into an IRA (individual retirement account) or another qualified retirement plan, please compare the fees you will be charged. Higher fees can erode your savings over time. Fees currently charged for the MTA Program are available on the Fund Fact Sheets on **prudential.com/mta**. You can also schedule an appointment with one of the Prudential on-site Retirement Education Counselors to review investment fees.

*Questions to ask:*

- » Are my savings on target for the retirement lifestyle I want?
- » Should I make any changes to my investment selections?

Any outstanding loan balance not paid back at termination becomes taxable in the year of default. Under the Tax Cuts and Jobs Act, for defaults related to termination of employment after 2017, the individual has until the due date of that year's return (including extensions) to roll over this amount to an IRA or qualified employer plan.

*Recently the MTA amended the 401(k) Plan to allow terminated or retired participants the ability to initiate a new loan. This will give retirees/terminated participants additional resources available to them if they need to access their money but do not want the tax consequences of taking a distribution from the Program. These loans have the same interest rate as the other 401(k) loans, and they can be paid back through Automated Clearing House (ACH).

## Take a Lump-Sum Cash Distribution

You can withdraw your savings at any time—but doing so comes with financial and tax implications. When you withdraw from your MTA account, the money is taxable as regular income and could even affect your tax bracket for the year you withdraw. Also, if you cash out before age 59½, you may face an additional 10% IRS penalty for early withdrawal from the 401(k) Plan.* The 10% IRS penalty does not apply to the 457 Plan.

» You'll have immediate access to your savings, *but*:
  - Your withdrawal will be taxable as regular income—and could put you in a higher tax bracket.
  - You'll get a check for only *80%* of your withdrawal amount. (Federal rules require Prudential to withhold 20% for taxes—but you could owe the IRS even more.)
  - If you're under age 59½, you may face a 10% IRS penalty on early withdrawals (401(k) only).*
  - Your savings will stop growing unless you reinvest them yourself.

*Questions to ask:*

» Will I face any penalties for withdrawing?

» What happens to the 20% that is withheld upon withdrawal?

» How long will it take to access my savings?

» How will I receive my funds?

## Take Flexible Cash Distributions

Withdraw either a partial amount of your account balance or opt to receive a specific amount in installments. You can always change the amount and/or frequency of your withdrawals and installments.

» By withdrawing only a portion of your account balance, the remaining funds can continue to grow to provide additional retirement savings.

» This option allows you the flexibility to take partial withdrawals as you require funds; installments allow you the flexibility and predictability of regularly recurring income.

» The tax implications may be lesser, as you are only taxed on the withdrawn amount (rather than your entire account balance).

» Withdrawals taken before age 59½ from the 401k Plan may be subject to a 10% IRS penalty.* The 10% IRS penalty does not apply to the 457 Plan.

*Questions to ask:*

» What makes most sense for me: withdrawals or installments?

» Should I make any changes to my investment selections?

*The 10% penalty may not be applicable if your normal retirement age is 55.

## Roll Over to an IRA or Another Qualified Retirement Account

There are various types of Qualified Retirement Accounts or IRAs with *many* investment options.

» No tax consequences (unless you have an account loan).

» Your savings can continue to grow tax-deferred.

» You'll likely need to be more directly involved with your investments.

» If you have an outstanding loan from your MTA account, there may be tax implications. You may continue to pay off your loan via Automated Clearing House (ACH); please call Prudential at **877-PLN-4MTA** (877-756-4682) for details.

» IRAs or other qualified retirement plans typically have higher investment fees than the fees you pay through your MTA Program.

» Some providers charge annual custodial fees to handle your account.

*Questions to ask:*

» Are there annual custodial fees on my IRA (and how much are they)?

» How involved will I need to be with my investments if I roll my balance to an IRA?

» What investment fees apply, and how are they assessed?

## Roll Your Assets Into a New Employer's Retirement Plan

If you start work outside the MTA, and your new employer offers a plan that allows it, you might "roll-in"—or transfer—your existing savings to your new employer's plan.

» No tax consequences if you complete a "direct" (from Prudential to the new plan) or "indirect" (from Prudential to you to the new plan *within 60 days*) rollover.

» If you stay employed past age 72, you can avoid taking Required Minimum Distributions (RMDs) from your new employer's plan account.

» You'll need to transfer *all* of your account assets.

» Your savings become subject to the new employer's plan and investment rules (which may differ from those in your current plan).

» If you have a loan against your MTA account, your new plan may not accept the balance; if so, you'll have to pay off the loan in full or face income tax (and a possible early withdrawal penalty) on the remaining balance.

*Questions to ask:*

» What restrictions will apply to the funds I roll over into the new plan?

» What types of investment options are available?

» What happens if the transfer takes longer or happens after 60 days?

# Your Options at a Glance

Here's a quick comparison of your choices. If you have questions or want to discuss your choices, please call **877-PLN-4MTA** (877-756-4682).

| | Stay With the MTA Deferred Compensation Program | Take a Cash Distribution | Take a Partial Withdrawal or Installments | Rollover to an IRA | Rollover to New Employer's Plan |
|---|---|---|---|---|---|
| **Potential Tax-deferred Growth** | Yes | No | Yes | Yes | Yes |
| **Taxes** | No tax implications. | Federal and, if applicable, state income tax will apply to the withdrawal amount. A 10% early withdrawal penalty may apply to the 401(k) Plan if under age 59½. Additionally, there is a 20% mandatory federal withholding. | Federal and, if applicable, state income tax will apply to the withdrawal amount. A 10% early withdrawal penalty may apply to the 401(k) Plan if under age 59½. | No tax implications. | No tax implications. |
| **Fees** | Regular account and investment fees apply. | | | Account and investment fees vary by IRA. | Account and investment fees will apply. |
| **Action Required** | None | Call Prudential: 877-PLN-4MTA (877-756-4682) | Call Prudential: 877-PLN-4MTA (877-756-4682) | Call Prudential: 877-PLN-4MTA (877-756-4682) | Call Prudential: 877-PLN-4MTA (877-756-4682) |

# Required Minimum Distributions

Please note that, regardless of which option you choose, the Internal Revenue Service (IRS) requires all retirement plan participants to begin taking an RMD from their account beginning at retirement or age 72, whichever is later.

Unless you are still working for the MTA, you must take your RMD from your MTA Program account when you attain age 72. You may initiate this withdrawal by December 31 during the year in which you turn 72 but no later than April 1 of the following calendar year. Once you begin taking RMDs, even if you return to active employment, you must continue to take the RMD annually by December 31 of each year until the account balance is depleted.

If you delay your first RMD to April 1, you will be required to take a second distribution before the end of the same year.

Your RMD is determined based on your account balance and the IRS's Uniform Lifetime Table. The IRS releases the Uniform Lifetime Table, which provides a life expectancy factor based on your age. Your account balance as of December 31 of the prior year is divided by this factor to determine the minimum amount to be withdrawn. If your spouse is the sole beneficiary of your account and is greater than 10 years younger than you, the Joint Life and Last Survivor Expectancy Table will be used.

You can estimate your RMD by completing the RMD Calculator on **prudential.com/mta**, or you can call **877-PLN-4MTA** (877-756-4682) for assistance in determining your RMD amount.

## Unused Vacation and Sick Leave Payout

If you are leaving, you can contribute money from your final payout for any unused vacation or sick leave to the Program. If you are interested in deferring all or part of your unused vacation or sick time as a contribution to the Program, please complete the HR-BEN-073 and HR-DEFCOMP-074 forms and send them to the Business Services Center (BSC). These forms are available on the BSC Portal. You will also need to complete the Special 457 Catch Up form which can be found on **www.prudential.com/mta**.

Please note that you may defer any amount up to 100%, but keep in mind that certain taxes are required to be withheld that may lower the final contribution amount.

## 457 Plan Special Three-Year Catch-Up

If you are contributing to the 457 Plan, you may be eligible to make special three-year catch-up contributions in the three years prior to your normal retirement age (as defined by the 457 Plan). The Special Three-Year Catch-Up option allows you to defer up to two times the IRS maximum limit. Your ability to make a special catch-up contribution in one or more of these three years will depend on your contribution history and the retirement age you elect. You can find the special catch-up contribution form on **prudential.com/mta**.

## Which Option Is Right for You?

There is no one-size-fits-all right choice: The right choice for you will depend on a number of factors, including how hands-on you like to be with your savings, cost versus benefit for your needs, potential tax implications and more.

To better understand your options and for guidance on how each might affect you, make an appointment to talk to a Retirement Education Counselor: Visit **prudential.com/mta** and click “Personal assistance.”

**Keep rolling toward retirement—regardless of where the road takes you.**

To learn more about the MTA Deferred Compensation Program and your account options, visit **prudential.com/mta** or call **877-PLN-4MTA** (877-756-4682) weekdays from 8 a.m. to 9 p.m. ET.



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