

**Minnesota State Colleges and Universities
Roth Tax-Sheltered Annuity (TSA) Product
Questions and Answers**

Q1. What is a Roth Tax-Sheltered Annuity (TSA)?

A1. A Roth TSA is an investment choice in an employer-sponsored TSA plan in which participants contribute on an after-tax basis to the employer's Tax-Sheltered Annuity program. Since contributions are made on an after-tax basis, participants do not pay any federal or state income tax at retirement on the earnings realized from Roth investments. So, the entire account is tax-free, assuming that participants are in the program for at least five (5) years and take distributions at age 59 ½ or older. Since non-Roth TSA contributions are made with pre-tax monies, the entire account, including investment earnings, are subject to tax when withdrawn at retirement.

Q2. What is the difference between a Roth TSA and an individual Roth IRA, and what are the contribution limits?

A2. Both the Roth TSA and the Roth IRA are set up with after-tax contributions. While Roth IRA accounts are established by individuals, the Roth TSA is part of an employer-sponsored plan. Individual Roth IRA limits are restricted based on income levels, whereas the Roth TSA is not subject to income limits. The maximum annual contribution under a Roth IRA for 2007 is \$4,000 (\$5,000 for those age 50 and over), while the contribution limit under an employer-sponsored Roth TSA program in 2007 is \$15,500 (\$20,500 for those age 50 and over).

Q3. Can I contribute to both an individual Roth IRA and my employer-sponsored Roth TSA?

A3. Yes. Again, the Individual Roth IRA is subject to income limitations.

Q4. Can I have a mix of both pre-tax TSA and after-tax Roth TSA contributions in my employer-sponsored TSA program?

A4. Yes. Participants can have a mix of both types of investments in their TSA account. However, the total TSA contribution limit (from both regular TSA and Roth TSA) is subject to the IRS limit of \$15,500 (\$20,500 for those age 50 and over) in 2007.

Q5. How will I know if a Roth TSA is right for me?

A5. In general, a Roth TSA might benefit highly paid individuals or younger employees in a low tax bracket. A Roth TSA may also be of value to individuals who seek to maximize flexibility in drawing their retirement benefits and individuals who wish to diversify against potential tax risks associated with pretax savings. However, each individual considering the Roth TSA should review their individual circumstances before establishing a Roth TSA. To help you determine whether a Roth TSA is right for you, you may want to contact the MnSCU

retirement call center at 800/682-8969, or schedule a meeting with a TIAA-CREF institutional consultant when they visit your campus.

Q6. Can I move money from my Roth to a pre-tax TSA, or vice-versa?

A6. No. Once the TSA money is withdrawn from payroll on a pre-tax or after-tax basis, the IRS does not allow changes to be made to those contributions.

Q7. Can I make changes at any time of the year to change between Roth and/or pre-tax TSA contribution levels?

A7. Yes, changes can be made at any point during the year. There is no limit to the number of changes that can be made if you decide to change your percentage allocation between Roth TSA and pre-tax TSA payroll contributions.

Q8. Who will keep track of my pre-tax TSA account and my Roth TSA?

A8. TIAA-CREF, the record-keeper for the MnSCU TSA plan, will keep records for both types of contributions. You will also be able to verify your pre-tax contributions and Roth TSA contributions on your W-2 form at the end of each calendar year.

Q9. Are there any restrictions on a Roth TSA that do not apply to my regular pre-tax TSA?

A9. Yes. Under the Roth TSA, you must have participated in the MnSCU Roth TSA program for a minimum of five (5) years after January 1 of the year in which your first Roth contribution was made to the plan. Further, distributions under a Roth TSA cannot be made until after age 59 ½, or upon death or disability. These restrictions do not pertain to the pre-tax TSA.

Q8. Can I subject my severance pay or Early Separation Incentive payment to a Roth TSA?

A8. Severance pay can be subject to a Roth TSA lump-sum withholding, as long as you have earned income in the year in which the severance payment is made.

Q9. Can I subject my vacation conversion to a Roth TSA?

A9. No. Vacation conversions cannot be subject to Roth TSA withholding. Such conversions are only eligible for treatment as regular TSA pre-tax contributions.

Q10. How can I learn more about the Roth TSA?

A10. Individual and group meetings will be held at many MnSCU campuses in the fall when further information will be provided about the Roth TSA as well as other retirement plan offerings. For a meeting near you, please go to the following web-site: <https://ifs2.tiaa-cref.org/cgi-bin/WebObjects/ARS>