

CU introduces Roth contribution options for PERA voluntary retirement plans ^[1]



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University of Colorado employees now have available to them Colorado's Public Employee Retirement Association's (PERA) [401\(k\)](#) ^[3] and [457](#) ^[4] after-tax ROTH options ^[5]. While the traditional pre-tax options have been available, the addition of the after-tax Roth options allow enrollees to contribute money after their income is taxed, meaning tax-free withdrawals at retirement.

University of Colorado employees can now enroll in these new options, with contributions beginning Jan. 1. With this change, all [voluntary retirement plan options](#) ^[6] now have pre-tax and after-tax Roth options.

Those with an existing PERA voluntary retirement account can also request an [in-plan Roth conversion](#) ^[7] to take their saved pre-tax money and pay current-year tax rates on it to convert those funds to Roth savings.

The Roth advantage

The Roth option offers some of the same benefits as pre-tax voluntary retirement plans and has some advantages over Roth Individual Retirement Accounts (IRAs). All retirement accounts have an annual contribution limit established by the IRS, but the contribution limits on the voluntary retirement accounts, including Roth accounts, is significantly higher than the IRS limit for IRAs. For example:

- The 2024 IRA contribution limit will be \$7,000 for those under 50 years old and \$8,000 for anyone 50 and older.
- The 2024 contribution limit on the voluntary retirement account options will be \$23,000 with an additional \$7,500 in catch up contributions allowed for members who are 50 or older.

Additionally, employees can make Roth contributions to a voluntary retirement plan regardless of their income level. Roth IRA contributions are restricted based on income — in 2024 single filers making more than \$161,000 and married couples making more than \$240,000 are not permitted to make Roth contributions.

If enrollees are concerned they may one day want to leave PERA, their PERA voluntary retirement accounts can be rolled over into any other 401(k), 403(b) or 457(b) plan with a Roth option. They can also be rolled over into a Roth IRA, but any amount rolled over will be subject to the five-year taxable period of that Roth IRA.

There are other considerations unique to PERA voluntary retirement plans that members should consider. For example, a Roth IRA imposes no withdrawal restrictions — the money contributed can be withdrawn at any time for any reason. However, distributions from a PERA voluntary retirement Roth account before age 59 ½ can only be taken upon termination of employment, financial hardship, unforeseen emergency, disability, or death.

Beginning in 2024, Roth accumulation will not be considered when calculating the required minimum distribution. For example, if a member with \$100,000 has \$25,000 Roth and \$75,000 pre-tax, the Required Minimum Distribution will only be based on the \$75,000.

Is the PERA 401(k) or 457 Roth contribution option right for you?

While the PERA Roth option is a great tool for many, each employee must decide for themselves whether a Roth plan is right for them. For many, starting a Roth plan has greater advantage earlier in their career when their income is likely to be taxed at a lower rate than it will be as they advance and earn higher salaries.

The ROTH option might be right for you if:

- You expect a higher tax rate in the future.
- You want to help protect retirement assets from possible tax penalties.
- You are not eligible to make ROTH IRA contributions due to high income.
- You want to make contributions larger than the ROTH IRA limit.
- You feel confident that your retirement income needs are met and want to leave a potential tax-free inheritance.

Explore PERA's [information on the Roth option](#) [5] and guides on their [401\(k\)](#) [8] and [457](#) [9] plans.

Regardless of whether an employee decides a Roth or traditional pre-tax plan better suits their needs, the voluntary retirement plans available to CU employees are a great tool to strengthen retirement savings and future security in retirement. Investigate all of [CU's voluntary retirement account options](#) [6] on the Employee Services website.

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