



Benefits Bulletin

January 2007

Roth 403(b): Providing A New Way To Save For Your Retirement

Carnegie Mellon is pleased to provide payroll deduction for a new way of contributing to a supplemental retirement account (SRA), called the Roth 403(b) plan.

It's attracting some attention, and it's easy to see why. After you hold the account for a minimum of five years and turn age 59½, you can withdraw Roth 403(b) contributions—plus any earnings on them—tax-free.

Roth 403(b) basics

The biggest difference between Roth and Traditional 403(b) contributions is how they are taxed, both today and in retirement.

- **Today.** Unlike traditional pre-tax contributions, Roth 403(b) contributions are made with after-tax dollars. So you'd pay more in taxes today by making Roth contributions to your 403(b).
- **In retirement.** Unlike traditional pre-tax contributions, Roth 403(b) contributions and any earnings can be withdrawn tax-free if you meet the requirements. So you'll pay less in taxes when you retire.

Who might benefit from Roth?

If you are financially well-prepared for retirement, the Roth 403(b) can make sense. Strong savers, and those with generous retirement benefits, may face sizable tax obligations in retirement. Having savings exempt from taxation could be a real benefit.

Others who might benefit by making Roth contributions include:

- People at the start of their careers who expect their income to rise

substantially over the years (their income tax bracket will be higher at retirement than it is today).

- Workers whose income is too high to allow them to contribute to a Roth IRA (they can still participate in a Roth 403(b) plan).
- Younger workers whose contributions have many years to grow (to avoid paying taxes on their earnings).

Who may not benefit from Roth?

There are people who would not benefit from Roth 403(b) contributions. Those who expect Social Security to be their main source of retirement income probably should not make Roth 403(b) contributions because their income—and tax rate—will likely drop in retirement.

Others who might not benefit include:

- Workers earning between \$20,000 and \$50,000 who qualify for certain valuable tax credits, such as the earned income tax credit.
- Those for whom tax savings now would enable them to contribute significantly more to their SRA than they would be able to save using post-tax dollars.

For more information

We invite you to attend the "Roth 403(b) Information Session" on January 18, 2007 from 9:00 a.m. – 10:00 a.m. in Whitfield Hall (register through Learning & Development at <http://hr.web.cmu.edu>).

If you feel the Roth 403(b) is worth considering, you can talk with a

Vanguard investment counselor in a free one-on-one counseling session.

Contributing to the Roth 403(b)

You can start contributing to a Roth 403(b) account through Vanguard beginning in January 2007.



TIAA-CREF will make the Roth 403(b) account available in the coming months.

To begin allocating all or part of your SRA contributions to a Roth 403(b) account or to initiate an SRA of either type for the first time, download and complete the New Supplemental Retirement Account Salary Reduction Agreement form and the applicable carrier enrollment form. All forms are available from the HR website at <http://hr.web.cmu.edu/resources/forms>.

Learn About Selecting The Right Investment Funds

University contributions to the Carnegie Mellon Faculty and Staff Retirement Plan and your additional contributions to a Supplemental Retirement Account are the building blocks of a comfortable retirement. But did you know that having the right mix of investments is one of the most important factors in determining your investing success?

Go to <http://hr.web.cmu.edu> to find the article "*Choosing investments for your retirement plan.*" The article contains helpful information and a link to an engaging, seven-minute video on the basics of selecting investments called, "Where to Invest and Why."

Use New Member ID Cards If You Get Them

Depending on the benefits you selected at Open Enrollment, you are likely to receive one or more new member ID cards for 2007.

Please destroy old ID cards and use the new ones. Even if they seem similar, there may be differences that are not immediately obvious. Be sure to show updated member ID cards to your physicians, pharmacies and other providers so they can update their systems and submit your claims accurately.

You can expect to receive new member ID cards if:

1. You are a new participant in a plan. If you enrolled in a benefit plan for 2007 that is different than your 2006 plan, you will receive a new card.
2. You are a UCCI dental and/or PharmaCare participant. PharmaCare issued new ID cards in October and United Concordia issued new ID cards in December. Both carriers used unique member ID numbers in place of your social security number to better protect your privacy and identity.

Spring 2007 Student Certification

If your Carnegie Mellon benefit plans are covering children between the ages of 19 and 23 who are full-time students this semester, be sure to complete the Student Certification form and return it to Human Resources as soon as possible. This one-page form is located online at <http://hr.web.cmu.edu/forms/benefits/Studentcert.pdf>. If we do not receive certification of full-time student status, coverage for dependent children who are older than 18 may be canceled.

Spring Term Tuition Benefit Payments

Faculty and staff who have applied for tuition benefits for themselves or their children for the Spring Term may receive tuition bills before the Carnegie Mellon payment is made.

The Benefits Office makes tuition benefit payments after the Carnegie Mellon add-drop deadline (January 26). If you receive a tuition bill before your benefit payment is made, contact the school to let them know that the payment is pending.

Using VBA Benefits

Those who enrolled in a Vision Benefits of America (VBA) vision plan during Open Enrollment must follow the carrier process for obtaining services in order for benefits to be paid at the in-network level. VBA participants must request a benefit claim form at 1-800-432-4966 or from <http://www.visionbenefits.com/> before seeking services from a participating provider. A personalized benefit claim form will be mailed to your home within a week. Individuals may also pick up a benefit form at their South Hills office by calling in advance.

If you do not get a benefit claim form prior to your appointment, the visit will be considered out-of-network. For out-of-network services, you should still request a benefit claim form. You will pay for the service in full, then submit the benefit form and itemized receipts to VBA for reimbursement at the out-of-network level.

2007 SRA Maximum

In 2007, the IRS is increasing its annual 403(b) contribution limit to \$15,500. Those who will be age 50 or older during the 2007 calendar year may make catch-up contributions of up to an additional \$5,000 in 2007. These limits apply to traditional and Roth 403(b) contributions combined.

Winter Slips and Falls

Snowy and icy winter conditions can lead to dangerous slips and falls. Prevent an accident by wearing shoes with rubber tread, walking carefully, and reporting unsafe conditions to Facilities Maintenance.

If you do fall at work, be sure to report the accident according to the Workers' Compensation (WC) procedures (even if no medical attention is immediately sought). This will protect your ability to receive WC benefits if they are required later.

New LifeWorks Resources

Many new resources became available to employees through LifeWorks in 2006 and even more are coming in 2007. Whether you have a work or personal issue, be sure to check out what is available today.

- Award winning resources: Giving It Your Best (booklet), Coming Out (CD), These Boots (CD), Ten Ways to Overcome Overload (booklet), and Taking Charge of Your Money (CD)
- Interactive tools: Rating Your Skills as a Manager; Becoming You - Finding Your Path in Your 20s and 30s; and Weight Loss Tool Kit (January 2007)
- 200+ New/Updated Life Articles: (online and print), including new articles on health and productivity management, diversity and flexibility, financial planning for different age groups, and quick tips for younger workers and lower-wage employees.
- 3 Free Counseling Sessions: Call today to speak to someone confidentially. LifeWorks counseling sessions require no copay, do not count toward your health plan maximum, and can be coordinated with your insurance if ongoing therapy is required.