

Memorandum



Date: February 2020

To: TWU Employees Eligible for Retroactive Wage Adjustment

From: Tax Favored Programs

**Re: Retro Pay 401(k)/457 Plan Deferrals:
SUBMIT ELECTION ONLINE BY APRIL 7, 2020**

The MTA Tax Favored Programs Unit has been advised that you may be eligible to receive a Retroactive Wage Adjustment (RWA) which is scheduled to be paid in April. This payment will be issued in a separate payment from your regular paycheck.

If you currently participate in the MTA Deferred Compensation Plan, your normal 401(k) and/or 457 deferral election amounts will come out of this payment. Therefore, you do not need to do anything if you wish to have your 401(k)/457 deduction(s) remain the same as your regular paycheck.

If you wish to defer a different percentage or to have no 401(k) and/or 457 deferrals, you will have to enter an election on the BSC Self-Service Portal at www.mymta.info. Sign on with your BSC ID and password and click on My Tax Favored Programs. Click on Deferred Compensation Election and follow the onscreen instructions to enter the percentage you wish to defer for this RWA payment. Please be sure to click Save and this information will automatically be sent to the BSC. Next, click the Generate Confirmation option and you may print the form for your records. This confirmation does not need to be sent to the BSC. If you want to change your election before the deadline, you may enter another election and the latest election will be used for the RWA payment. For assistance with Portal sign-on or completing the election, please contact the BSC at 646-376-0123.

You may defer a combined total percentage from 1% to 100% of your payment. Please note that for the purpose of this special deferral option, flat dollar amounts will not be permitted. All deferral elections must be submitted online by April 7, 2020. No late elections will be accepted and no checks will be reissued.

Traditional 401(k) and 457 contributions are exempt from federal and state tax, but the gross amount of the RWA payment is still subject to FICA (Social Security and Medicare required withholding). Since the amounts withheld for FICA cannot be deferred into the plan, they are considered income/wages for the period and are therefore (federally and state) taxable. As a result, even if you elect to defer 100% of your RWA, the final percentage deferred will be less than 100% because of the required withholdings.

In addition, you can elect to defer a portion of your RWA *after tax* by choosing 401(k) or 457 *Roth*. Roth deferrals are taken after state and federal tax and FICA withholdings are applied to the gross amount of the RWA payment.

If you have never participated in the program, now may be a good time to enroll in the Deferred Compensation Plan. Please log onto the Prudential website www.prudential.com/mta to enroll, or call Prudential at 877-PLN-4MTA (877-756-4682) Monday through Friday, from 8 a.m. to 9 p.m.