

Memorandum



Metropolitan Transportation Authority

State of New York

Date: October 17, 2014

To: LIRR Eligible Employees – Retroactive Wage Adjustments

From: Tax Favored Programs

Re: Retro Pay 401(K)/457 Plan Deferrals – **SUBMIT ELECTION ONLINE BY 10/31/14**

The MTA Tax Favored Programs Unit has been advised that eligible LIRR employees will be receiving a Retroactive Wage Adjustment (RWA) which will be paid in the next few months. 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.

However, if you wish to defer a different percentage or elect to have no 401(K) and/or 457 deferrals, you will have to enter an election on the BSC Self-Service Portal at www.mtabsc.info. Sign on with your BSC ID and password and click on eProfile under Self-Service Tools. Select the Retro Pay Deferred Comp link and follow the onscreen instructions to enter the percentage you wish to defer for this RWA payment only. Please be sure to hit save and this information will automatically be sent to the BSC. You may print the form for your records but this 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 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 October 31st. No late elections will be accepted and no checks will be re-issued.

Please note that traditional 401(K) and 457 contributions are pre-tax so no federal, state and/or city income taxes are withheld on the deferral amount, but Tier 1, Tier 1–Medicare, Tier 2- RRB, Pension, and Garnishments are withheld based on the total amount of the RWA. Even if you defer 100% certain required deductions (i.e. taxes, liens, etc.) must be made from the deferral therefore the final percentage will result in less than 100% (see attached).

In addition, you can opt to have your funds deferred into a Roth 401(K) and/or 457 plan, which are post-tax for federal, state income tax, Tier 1 & 2 taxes and Medicare taxes.

Enclosed for your review are examples of a RWA for approximately \$15,000 or \$20,000 to show you the tax advantages of rolling funds into your 401(K) and/or 457 Plans.

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. Prudential representatives are also available at different locations or you may set up a meeting with one of them. Log into the Prudential website and click on onsite help to contact a Prudential representative.

**SAMPLE - RETROACTIVE ADJUSTMENT
MTA - DEFERRED COMPENSATION PROGRAMS (401K/457)**

Retroactive Payment - \$15,000

Regular Payment – Separate Payment (Zero Deferment/Flat –Tax Calculation)

Retroactive Adjustment	\$15,000
Taxes:	
Tier 1 – 6.2%	\$ 930
Tier 1-Medicare Tax – 1.45%	218
Tier 2-RRB – 4.4%	660
Federal Tax – 25%	3,750
New York State Tax – 11%	1,650
New York City Tax – 5%	<u>750</u>
Total Taxes	<u>\$7,958</u>
Total Net Pay	<u>\$7,042</u>

Regular Payment – Separate Payment (100% Deferment - \$11,950)

Retroactive Adjustment	\$15,000
401/457 Deferment	<u>11,950</u>
Tax Base for Federal, State & City Tax	\$ 3,050
Taxes:	
Tier 1 – 6.2%	\$ 930
Tier 1-Medicare Tax – 1.45%	218
Tier 2-RRB – 4.4%	660
Federal Tax – 25%	765
New York State Tax – 11%	336
New York City Tax – 5%	<u>152</u>
Total Taxes	<u>\$3,050</u>
Total Net Pay	\$ 0

Regular Payment – Separate Payment (50% Deferment - \$7,500)

Retroactive Adjustment	\$15,000
401/457 Deferment	<u>7,500</u>
Tax Base for Federal, State & City Tax	\$ 7,500
Taxes:	
Tier 1 – 6.2%	\$ 930
Tier 1-Medicare Tax – 1.45%	218
Tier 2-RRB – 4.4%	660
Federal Tax – 25%	1,875
New York State Tax – 11%	825
New York City Tax – 5%	<u>375</u>
Total Taxes	<u>\$4,883</u>
Total Net Pay	<u>\$2,617</u>

** - Calculation does not include Pension Contribution & Garnishments (if applicable)

**SAMPLE - RETROACTIVE ADJUSTMENT
MTA - DEFERRED COMPENSATION PROGRAMS (401K/457)**

Retroactive Payment - \$20,000

Regular Payment – Separate Payment (Zero Deferment/Flat –Tax Calculation)

Retroactive Adjustment	\$20,000
Taxes:	
Tier 1 – 6.2%	\$1,240
Tier 1-Medicare Tax – 1.45%	290
Tier 2-RRB – 4.4%	880
Federal Tax – 25%	5,000
New York State Tax – 11%	2,200
New York City Tax – 5%	<u>1,000</u>
Total Taxes	<u>\$10,610</u>
Total Net Pay	\$ 9,390

Regular Payment – Separate Payment (100% Deferment - \$15,900)

Retroactive Adjustment	\$20,000
401/457 Deferment	<u>15,900</u>
Tax Base for Federal, State & City Tax	\$ 4,100
Taxes:	
Tier 1 – 6.2%	\$1,240
Tier 1-Medicare Tax – 1.45%	290
Tier 2-RRB – 4.4%	880
Federal Tax – 25%	1,025
New York State Tax – 11%	455
New York City Tax – 5%	<u>210</u>
Total Taxes	<u>\$4,100</u>
Total Net Pay	\$ 0

Regular Payment – Separate Payment (50% Deferment - \$10,000)

Retroactive Adjustment	\$20,000
401/457 Deferment	<u>10,000</u>
Tax Base for Federal, State & City Tax	\$10,000
Taxes:	
Tier 1 - FICA – 6.2%	\$1,240
Tier 1-Medicare Tax – 1.45%	290
Tier 2-RRB – 4.4%	880
Federal Tax – 25%	2,500
New York State Tax – 11%	1,100
New York City Tax – 5%	<u>500</u>
Total Taxes	<u>\$6,510</u>
Total Net Pay	\$3,490

** - Calculation does not include Pension Contribution & Garnishments (if applicable)