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Clerk Bulletin

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County Portal and Multifactor Authentication

As a reminder, the email option to receive the one-time password when logging into CARS will be turned off effective September 9, 2023. You will choose whether you would like the one-time password sent to you via text or to a direct telephone line when logging into CARS after this date if you are not currently utilizing one of these two options.

CERF Savings Plan – Addition of Roth Contributions

Beginning on January 1, 2024, CERF will add Roth contributions to the 457 Plan as an option for all CERF Savings Plan participants. Participants may choose to make pre-tax contributions or after-tax (Roth) contributions. A small number of participants will be required to make Roth contributions under certain circumstances as described below.

Why is CERF adding Roth contributions?

Congress passed the SECURE 2.0 Act in 2022. SECURE 2.0 makes multiple changes to retirement plans to help people save for their retirement. To comply with federal law, CERF is required to make several changes to the 457 Plan over the next few years.

To comply with federal law, CERF will include Roth contributions as an option for all CERF Savings Plan participants (457 plan).

What are Roth contributions and how are they different from pre-tax contributions?

The difference between Roth contributions and pre-tax contributions is when the participant pays the taxes on the contributions. Currently, CERF only offers pre-tax contributions. Under pre-tax contributions, the funds are contributed to the Savings Plan before the member has paid taxes on them. The pre-tax funds and any earnings on them are taxed when they are withdrawn. Under Roth, the funds are contributed to the Savings Plan after the member has paid taxes on them. The funds are included in the participant's taxable income for the year. In general, the funds grow tax-free and withdrawals in retirement, including any earnings, are not taxed so long as they meet the IRS requirements for a qualified distribution.

Who is eligible to make Roth contributions?

Roth contributions will be an option for all Savings Plan participants beginning in January 2024. Individuals may choose to make Roth contributions, may continue to make pre-tax deferrals, or a mix of both.

Is there a special circumstance where certain participants are required to do Roth contributions?

One of the changes in SECURE 2.0 affects certain participants age 50 or older who make age-based “catch-up” contributions. “Catch-up” contributions are additional retirement contributions allowed over the usual IRS limit for those age 50+. Beginning in January 2024, for participants age 50 or older who made $145,000 in FICA earnings with their current employer in the prior year, age-based “catch-up” contributions must be made as Roth contributions. For example, a participant age 50 or older who made $145,000 or more in FICA earnings in 2023 with their current employer who chooses to make age-based “catch-up” contributions in 2024 will be required to make any “catch-up” contributions as Roth contributions. However, on August 25, 2023, the IRS issued guidance that delays this requirement for two years. There will be an administrative transition period until December 31, 2025 where these age-based catch-up contributions may continue to be made as pre-tax.

Only a small number of individuals covered by the CERF Savings Plan are affected by this change. While CERF and Empower will work together to identify and communicate with participants who may be affected by this change, it is ultimately the participant’s responsibility to ensure they follow the guidelines for age-based Roth catch-up contributions if they apply.

What changes must be made to offer Roth contributions?

CERF, Empower, and the Counties must be ready to offer the option to make Roth contributions beginning on January 1, 2024 to comply with federal law.

Counties will need to work with their payroll provider to add a Roth contribution deduction within their payroll system. Also, adding Roth contributions will involve changes to the contribution remittance process to Empower. How this is done depends on a county’s payroll system and how a county submits contributions to Empower.

In the next few weeks, CERF and Empower will contact each County about this upcoming change.

Disclaimer: This is for informational purposes and should not be considered tax or legal advice. A member should consult with a qualified tax advisor or attorney regarding questions on Roth contributions.