

## **Roth 403(b)**

Over the past year UCSF employees have increasingly shown an interest in seeing a Roth 403(b) added to the University of California's menu of Retirement Savings Plans.

We inquired with the Chief Human Resources Offices/Benefits Managers system wide to determine if this interest went beyond the UCSF campus. The following is a summary of pros and cons:

### **Pros:**

- The Roth 403(b) would permit employees to balance taxable and non-taxable retirement savings to meet their individual income needs.
- Lower paid employees just entering their careers at UC may find the Roth 403(b) more attractive than pre-tax contribution plans because of the tax-free earnings on distributions.
- Contribution limits are higher on the Roth 403(b) when compared to an individual Roth IRA.
- A Roth 403(b) does not impose income limit restrictions whereas the individual Roth IRA does have income limits.
- The expenditures that were devoted to the Savings Bonds Program (recently eliminated) could be re-directed to the Roth 403(b) administration, offsetting some of the additional costs.
- Many universities and public employers are now offering a Roth 403(b) retirement investment option.
- Fidelity already administers a Roth 403(b) so it may be fairly simple for them to add this option to the menu of savings plans for UC employees.
- A Roth 403(b) option may support recruitment and retention.

### **Cons:**

- Employees do not make use of the current tax shelter options and adding another savings option may be more confusing than helpful.
- Significant education will be needed to help employees understand the differences between the Roth 403(b) and the 403(b).
- FITSCo may increase UC's costs to roll out a new retirement plan option.
- Rolling out this option may take resources away from other important projects at UCOP.
- When comparing a Roth 403(b) to an individual Roth IRA one may determine the order of distributions to be disadvantageous:
  - Roth 403(b): Each distribution consists of a proportionate share of contributions and earnings.
  - Roth IRA: All distributions are treated first as return of contributions before any account earnings are received.

Campuses that provided comments:  
(Campus - CHRO - Benefits Manager)

UCB – Jeannine Raymond/Mary Deshaw  
UCD - Karen Hull/Bill Brooks  
UCI - Susan Mann/Gina Merriott  
UCLA - Lubbe Levin/Lydia Oller  
UCM - Freya A Foley/Viola Kinsman  
UCR - Marilyn Voce/Theron Lyon  
UCSB - Cynthia Cronk/Trisha Hiemstra  
UCSD - Thomas Leet/Jacqueline Edwards  
UCSF – Mike Tyburski/Pamela Hayes  
UCOP - Rosemary Monroe/Michael Waldman