AECOM

AECOM Retirement & Savings Plan (RSP)

In-plan Roth conversion

In-plan Roth conversion options in your AECOM Retirement & Savings Plan (RSP)

You can convert some or all of the assets in your RSP account to Roth 401(k) assets. Roth 401(k) assets have different potential tax advantages and disadvantages from pre-tax and traditional after-tax assets. Converting to Roth may or may not be right for you. When making your decision, please keep these tax provisions in mind:

How contributions are taxed

Pre-tax	Traditional after-tax
Federal income taxes are deferred on pre-tax contributions (including any company contributions) and any earnings, but withdrawals are fully taxable.[1]	Taxes are paid on traditional after-tax contributions before they are contributed to the RSP. Federal income taxes on any earnings are deferred, and due upon withdrawal.[1]
You pay taxes on the amount of pre-tax contributions (including any vested company contributions) and any earnings that you convert to Roth 401(k) assets.	You pay taxes on any earnings related to the traditional after-tax contributions that you convert to Roth 401(k) assets.

Any earnings generated after the conversion are federal income tax-free upon distribution, provided you receive a qualified distribution (see the next page).

Keep in mind that any amounts you convert are taxable, but aren't subject to tax withholding by your employer. So you'll be responsible for paying any taxes you owe with assets outside the RSP. You should speak with your legal and/or tax advisor before making any decisions, as conversions may increase your tax liability and are irreversible.

Electing a Roth in-plan conversion

There are two options available for processing an in-plan Roth conversion:

- Make a one-time conversion of any eligible assets in your RSP account
- Enroll in automated conversions of your after-tax contributions

Please see the frequently asked questions on the following page for more information.

Learn more

On the following pages you will find frequently asked questions and hypothetical examples to help you learn more about this feature. You can also learn more on Benefits OnLine® at benefits.ml.com. There you can review hypothetical Roth 401(k) conversion scenarios and instructions for making a conversion. A new feature allows you to convert future after-tax contributions automatically to a Roth 401(k) account within the RSP (see page 4 for details). For more about Roth 401(k) contributions in general, review the Roth 401(k) brochure.

Questions? Call Merrill at **877.MER.4ACM (637.4226)**.

[1] *You may also be subject to a 10% additional federal tax if you take a withdrawal before age 59½, unless an exception applies.*

Frequently asked questions

In-plan Roth 401(k) conversions

What is an in-plan Roth conversion?

An in-plan Roth conversion occurs when you change some or all of the eligible pre-tax assets, including your own contributions and any vested company contributions, and/or traditional after-tax assets in your RSP account, including any earnings on the pre-tax or after-tax assets, to Roth 401(k) assets. While the converted amounts are not considered to be a distribution, they generally are taxable in the year of conversion. Typically, once converted, no further federal income taxes are due on Roth 401(k) assets if the requirements for a qualified distribution are met (see below).

When do I pay taxes on the converted assets?

Pre-tax assets (including any earnings) that are converted to Roth 401(k) assets are subject to income taxes (federal and possibly state) in the year of conversion. When you convert traditional after-tax assets to Roth 401(k) assets, you pay federal (and possibly state) income tax on any earnings related to the traditional after-tax contributions that you convert.

Are taxes due when I withdraw the converted assets from my Roth 401(k) account?

Regular income taxes are not due on the converted assets when you withdraw them from your Roth 401(k) account because they have already been taxed. Any earnings on the converted assets can generally be withdrawn federal income tax-free if you meet the requirements for a "qualified distribution." Generally, a qualified distribution is one that is taken:

- At least five years from the first day of the year in which you make your first Roth 401(k) contribution or conversion, if earlier; and
- On or after the date on which you reach age 59½ (or upon disability or death).

Possible 10% additional federal tax for distributions while under age 59½

If you take a distribution of all or any part of the converted assets within five years of the first day of the year in which the conversion occurred, a 10% additional federal tax may apply to the previously taxable portion of the converted assets, unless an exception applies. A separate five-year holding period applies to each conversion and begins on the first day of the year in which each conversion occurs and ends on the last day of the fifth year thereafter (counting the conversion year as the first year). The 10% additional tax does not apply if you are age 59½ or over or if another exception applies.

I already have a Roth 401(k) account in the RSP. Are the amounts that I convert to Roth 401(k) assets subject to the same five-year qualified distribution clock as my regular Roth 401(k) contributions, or does a new five-year period start for the converted amounts?

Generally, the five-year period for a qualified distribution starts on January 1 of the year in which you make your first Roth 401(k) contribution or your first in-plan Roth conversion, if earlier. For example, if you make in-plan Roth conversions in February of 2025 and 2026 and have made regular Roth 401(k) contributions since January 1, 2024, the five-year period for both of your in-plan Roth conversions and regular Roth 401(k) contributions begins on January 1, 2024 and ends on December 31, 2028. If you take a distribution of all or any part of your Roth 401(k) assets, including your converted Roth 401(k) assets, after December 31, 2028, the distribution is eligible to be treated as a qualified distribution, provided that you are at least 59½ years old or another exception applies.

Note: If you take a distribution of Roth 401(k) assets and the distribution is not treated as a qualified distribution, then special tax rules apply. Please review the "Are taxes due when I withdraw the converted assets from my Roth 401(k) account?" Q&A above and contact your tax advisor for additional information.

Can I estimate how much federal income tax I'll need to pay upon conversion?

Yes. Log in to Benefits OnLine at benefits.ml.com and select the RSP plan name in the middle of the screen. Then select the Withdrawals tab and choose "In-Plan Roth Conversion." You can learn more about in-plan Roth conversions, make your conversion elections and review the potential tax implications before you submit your conversion request.

The tax rules regarding distributions of assets that are converted to Roth 401(k) assets are complex. Please consult your tax advisor before taking a distribution of Roth 401(k) assets from the Plan. Neither AECOM nor Merrill offers tax advice.

Will AECOM or Merrill withhold taxes on the converted amount?

No, federal income taxes will not be withheld by AECOM or Merrill. You'll be responsible for paying any taxes that you owe with assets from outside the RSP. You should speak with your legal and/or tax advisor before making any decisions about an in-plan Roth conversion.

Will Merrill provide a tax statement for the amount that was converted?

Yes, Merrill will provide you with a Form 1099-R for the year of conversion in January of the year following the year of conversion.

Can I change my mind once I've made an in-plan Roth conversion?

No. Once you have converted pre-tax or traditional after-tax assets (and any earnings on such assets) to Roth 401(k) assets, you cannot convert those assets back.

Can I take a plan loan on amounts that have been converted to Roth 401(k) assets?

Yes, the RSP permits loans against converted Roth 401(k) accounts, subject to the same maximum/minimum limitations, fees and other rules that apply to plan loans under the RSP.

Can I take a hardship withdrawal on amounts that have been converted to Roth 401(k) assets?

Yes, hardship withdrawals would be permitted from converted Roth 401(k) assets, subject to the provisions of the RSP. Please see your Summary Plan Description for more details on taking a hardship withdrawal.

Do I have to convert to Roth all at once or can I convert some now and more later?

The RSP permits multiple conversions over multiple years. And there are no fees or dollar limits associated with an in-plan Roth conversion.

Is a Roth conversion subject to annual tax law contribution limits?

No. Converting pre-tax or after-tax contributions to Roth is not affected by annual contribution limits.

Can I choose to exclude AECOM stock[2] from my in-plan Roth conversion?

Yes. If you have AECOM stock in your account, you will be prompted to either exclude or include AECOM stock from the conversion. At the "Make Conversion Selections" step, you must answer "Yes" or "No" to the "Exclude Employer Stock from available conversion amount?" question.

Who might consider an in-plan Roth conversion?

When deciding whether or not an in-plan Roth conversion might be right for you, here are some important considerations:

An in-plan Roth conversion might be right for you if:

- You have sufficient assets outside the RSP to pay the additional federal income tax that you will owe on the converted assets.
- You want to be eligible for any federal income tax-free earnings on the converted amounts (if certain requirements are met).
- You think that your federal income tax rate when you withdraw the money will be higher than it is today.
- You want to pass along an account free of federal income tax to your heirs.
- You won't need to access the converted amount for at least five years.

An in-plan Roth conversion might not be right for you if:

- You do not have sufficient assets outside the RSP to pay taxes on the converted amount, which will become taxable in the year of conversion.
- You think that your federal income tax rate when you withdraw the money will be lower than it is today.
- You will need to access the converted amount sooner than five years.

Can I automatically convert after-tax contributions to Roth 401(k) assets?

Yes. On Benefits OnLine, under **Employer Sponsored Plans**, find the Retirement & Savings Plan, select the three dots next to the plan name, and then **Change My Contribution Rate**. From the "Your contribution rate" screen, check the "**Convert my future after-tax contributions to Roth account**" box under "After-tax contribution." You can change this election at any time.

[2] AECOM stock gives you the potential for capital appreciation. As there are no other forms or types of investments in this option, the value of the stock stands on its own. Because this option is a single stock investment, it generally carries more risk than the other investment options offered through the RSP.

In-plan Roth conversion scenarios[3]

Here are three hypothetical scenarios that illustrate different approaches individuals may take when considering an in-plan Roth conversion.

Employee: John

John is single and currently has a taxable income of $45,000 a year, which puts him in the 22% federal income tax bracket for single taxpayers.[4] He currently has $50,000 in pre-tax assets in his RSP account that are eligible for an in-plan Roth conversion. John wants to convert some of the pre-tax assets to Roth 401(k) assets.

Action taken
John plans to convert $5,000 of his available in-plan Roth conversion amount each year for the next five years. This will result in an additional federal income tax liability of approximately $1,100 for each year in which he requests an in-plan Roth conversion.

Considerations
John determined that converting smaller/partial amounts each year will make it easier for him to pay the taxes due on the converted amounts in any one given year, based on his income and circumstances.

John

- Age: 28
- Available in-plan Roth conversion amount: $50,000
- Time before retirement: 35+ years
- Tax rate: 22%[4]

His decision:

- Conversion amount: $5,000 per year for five years
- Approximate federal income tax liability due on converted assets: $1,100 per year

Employee: Rob

Rob, who is 57 and married, has $350,000 in pre-tax assets in his RSP account that are available for an in-plan Roth conversion. His current taxable income is $90,000 per year, which puts him in the 22% federal income tax bracket for married, filing jointly.[4] Rob wants to convert all of his pre-tax assets in the RSP to Roth 401(k) assets.

Action taken
Rob decides to convert all $350,000 of his available in-plan Roth conversion amount in a single tax year. As a result, all $350,000 is taxable in the year of conversion. This will change his tax bracket for the year of conversion to 32%, resulting in a potential additional federal income tax liability (without taking into consideration any itemized deductions that might apply) of $88,049 for the year.[4] Rob also did not take steps to ensure that he paid estimated taxes, using funds outside of the RSP, in preparation for the additional $350,000 in income he would have from the in-plan Roth conversion.

Considerations
Rob would have a high tax burden for the year of the in-plan Roth conversion, which may be difficult for him to meet, particularly if he did not adjust the tax withholding from his salary and/or pay enough estimated additional tax throughout the year from income or assets outside of his regular salary. As a result, he may also have to pay additional taxes and interest due to the underpayment of estimated taxes until he is able to fully satisfy his tax obligations.

Rob

- Age: 57
- Available in-plan Roth conversion amount: $350,000
- Time before retirement: 8 years
- Tax rate: 22%[4]

His decision:

- Conversion amount: $350,000 all in one year
- Increased tax rate: 32%[4]
- Approximate federal income tax liability on converted assets: $88,049

[3] *The scenarios depicted and their associated values are for illustrative purposes only. Your specific situation is unique and results will vary. You should seek the advice of a tax-planning professional with regard to your personal circumstances.*

[4] *The estimated tax liability used in the depicted scenarios is based on the federal income tax brackets and resulting effective tax rates for 2023. The depicted scenarios are hypothetical and should be used for illustrative purposes only.*

Employee: Valerie

Valerie, age 65 and married, has $750,000 in pre-tax assets in her RSP account that are available for an in-plan Roth conversion. Valerie has accumulated a large pre-tax account balance over the years, all of which is now eligible for distribution at the time of her retirement. Valerie's account also consists of $750,000 of Roth 401(k) assets from in-plan Roth conversions that she had made more than five years ago. Valerie is planning to retire at the end of this year, when her RSP account will have a total of $1,500,000 in assets.

Action taken
At the time of retirement, Valerie meets the requirements for withdrawing her Roth 401(k) assets as a federal income tax-free qualified distribution. She decides to take a full distribution of her 401(k) account and roll the pre-tax assets to a traditional IRA and the Roth 401(k) assets to a Roth IRA. Valerie plans to take distributions each year from both IRAs in order to provide herself with retirement income.

Considerations
Valerie is able to continue the tax deferral of the assets by rolling over the pre-tax assets into a traditional IRA and the Roth 401(k) assets into a Roth IRA. Although Valerie will need to take required minimum distributions from the traditional IRA at age 73,[5] she will not need to take any required minimum distributions from her Roth IRA during her lifetime. Valerie determined that an additional in-plan Roth conversion was not right for her because she was retiring and did not have sufficient funds outside the RSP to pay the taxes due on the converted amounts.

Valerie

- Age: 65
- Available in-plan Roth conversion amount: $750,000
- Time before retirement: retiring this year

Her decision:

- Plan distribution: $1,500,000
  - Rollover to traditional IRA: $750,000
  - Rollover to Roth IRA: $750,000
- Tax liability due to rollover: $0

[5] *A Required Minimum Distribution (RMD) is the minimum amount the account holder of a traditional IRA or qualified retirement plan must withdraw annually. Effective January 1, 2023, a tax law change increased the applicable age for RMDs to 73 for individuals who turn age 72 on or after January 1, 2023, and who turn age 73 before January 1, 2033. If you were age 72 or older as of December 31, 2022, you are subject to the RMD rules in effect prior to January 1, 2023. If you turn 74 on or after January 1, 2033, the applicable age is 75.*

All tax calculations herein are merely estimates and should not be relied upon for detailed tax planning purposes. State income taxes are based on flat tax rates and do not take all the details of a state's income tax laws into account.

This communication is intended to provide general information about the RSP. RSP benefits are paid only if provided for in the legal plan documents. Every effort has been made to ensure the accuracy of this information. However, if there is any inconsistency between this communication and the plan documents, the terms of the plan documents will control. There may be changes to the RSP in the future. AECOM reserves the right to amend, modify, or terminate the RSP, in whole or in part, at any time for any reason. AECOM, its affiliates, and the RSP fiduciaries (and their representatives) do not guarantee, and do not have any responsibility for, the tax, legal or other implications of an employee's participation in the RSP.

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