



Section 457 Plan Contributions

The Section 457 Plan Contribution calculator:

- takes into account adjustments to gross compensation that might affect the contribution limit;
- accounts for contributions to other plans, whether of the current employer or a different employer;
- calculates matching contributions, if applicable;
- determines whether the special catchup election is available and, if so, how much it is worth in the current year.

Please note that this calculator applies only to Defined Contribution 457 plans. If any employer offers a Defined Benefit 457 plan, the contribution amount must be determined by the plan actuary. This type of plan, however, is rarely used.

When to Use This Calculator

The Section 457 Contributions calculator can be used at any time during the year, but is most commonly used at the beginning of the year (or, for academics, the beginning of the school year) – or when either compensation or calculation rules/limits change.

How to Use This Calculator

Everything you need to input for a Section 457 calculation goes on one screen. Start at the top and work your way down. A few items near the bottom of the screen will be enabled or disabled depending on entries in the previous fields on the screen.

Click the “Calculate” button at the bottom of the screen to display the results without any supporting explanations. To preview or print the complete explanatory report, use the “Print” menu.



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The screenshot shows the RetirementWorks software interface for the 'Section 457 Plan Contributions' form. The form is titled 'Section 457 Plan Contributions' and is divided into several sections:

- Participant data**: Includes fields for 'Name' and 'Date of birth (mm/dd/yyyy)'.
- Includible Compensation**: Includes a dropdown for 'Tax year being calculated' (set to 2001), and dollar amount fields for 'Gross compensation from this employer for this tax year', 'Increases to taxable income from this or other employers', and 'Reductions to taxable income from this or other employers (e.g., salary reductions for §125 Cafeteria plans, 403(b) plans, etc., or non-taxable contributions to state retirement plans. But DON'T enter salary reductions for 457 plans!)'.
- Contributions to Pension Plans**: Includes dollar amount fields for 'EMPLOYER NON-matching contributions to THIS 457 plan', 'Employer AND employee contributions to 457 plans offered by OTHER employers', 'Employer AND employee contributions to 403(b) plans offered by ANY employer', and 'EMPLOYEE contributions to 401(k), SIMPLE or SARSEP plans with ANY employer'. A note states: 'Employer matches [] % of employee contributions up to [] % of employee compensation.'
- Catchup Eligibility**: Includes a dropdown for 'Normal Retirement Age as defined for this Section 457 Plan' (set to 65), a dropdown for 'Participant's tax year', and radio buttons for 'Do available amounts not previously contributed to this plan equal or exceed \$15000?' (Yes/No). A field for 'If not, please enter total amounts not previously contributed' is also present.

At the bottom of the form, there are 'Calculate' and 'Close' buttons, and a note: 'Press <F1> for Help at any time'. The version information 'Version 2.26A expires 09/30/01' is displayed at the bottom left.

Detailed Input Instructions

Name

Enter the plan participant's name as it should appear on the printed report.

Date of birth (mm/dd/yyyy)

Enter the plan participant's date of birth in mm/dd/yyyy format. Please note that this information is always required.



Tax year being calculated

Enter the year for which the calculations are being performed. The default is the current year. If the participant has a tax year that ends other than December 31, enter the year during which his or her tax year ends.

Gross compensation from this employer for this tax year

Enter the total annual compensation received (or expected to be received) from this employer in the tax year being calculated.

If the plan involves an employer match, it is important that this compensation figure be the same as that used by the employer in determining the maximum match that will be made. That is, in a matching plan, the employer will match a certain percent of employee contributions up to an employee contribution of some percent of compensation. That compensation amount, whatever it includes or excludes, is the amount that should be entered into this field.

If the employer does not match contributions, what you include or exclude in this field is less important since the following two fields permit you to make adjustments.

Increases to taxable income from this or other employers

Enter any amounts that are part of includible compensation, as defined for Section 457, but that have been omitted from the "Gross compensation from this employer for this tax year" field. Some examples might be:

- Taxable income from incidental sources such as imputed income on group life insurance over \$50,000, parking allowances, or other taxable benefits. Basically, you should make sure that all taxable income has been accounted for.
- Income from other employers. This is important to add if you also work for another employer that offers 457 plans, 401(k) plans, or other plans that permit salary deferrals. Contributions to these plans will need to be taken into account, and so the taxable income from these employers should be taken into account as well.
- If this or another employer offers a "cash or deferral" option, that permits taking a certain amount as a salary deferral into a 457 or other plan or taking the same amount in cash, the full amount you are eligible to receive in cash must be included as income.



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Again, do not include any items in this field that you have already included in the "Gross compensation from this employer for this tax year" field.

Reductions to taxable income from this or other employers

Enter any amounts that are NOT part of includible compensation, as defined for Section 457, but that have been included in the "Gross compensation from this employer for this tax year" field.

In particular, enter any actual or anticipated salary deferrals, non-taxable contributions to state retirement plans, or other non-taxable income that was included in the "Gross compensation from this employer for this tax year" or "Increases to taxable income from this or other employers" fields.

IMPORTANT: Do NOT enter any salary deferrals for the Section 457 plan being calculated, but DO include salary deferrals for any 457 plan offered by a DIFFERENT employer. The system will be calculating what the maximum Section 457 deferral for THIS plan can be. For now, therefore, we assume that the deferral for this plan is zero, and allow the system to compute the maximum deferral allowed.

EMPLOYER NON-matching contributions to THIS 457 plan

Enter any actual or planned contributions by this employer to this Section 457 plan for this participant. Do not include any matching contributions (these will be calculated by the system). Do not include any employer contributions to other plans. Do not include any 457 contributions by other employers. These other items are taken into account, where necessary, in the fields that follow.

Employer matches ____% of employee contributions up to ____% of employee compensation

In the first field, enter the percentage of the employee's plan contribution that the employer will match. In the second field, enter the maximum percentage of the employee's compensation that serves as the cap for employer matching contributions. For example, the employer might contribute 50 cents for each dollar the employee contributes, up to an employee contribution of 5% of compensation. If the employee contributes more, there is no additional match. In this example, you would enter "50" in the first field, and "5" in the second.



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The percentage of compensation refers back to the amount entered in the "Gross compensation from this employer for this tax year" field. If this is not the correct compensation amount used to determine the maximum employer match, then change your entry in the "Gross compensation from this employer for this tax year" field and make an adjusting entry in the "Increases to taxable income from this or other employers" field or the "Reductions to taxable income from this or other employers" field, as appropriate.

Employer AND employee contributions to 457 plans offered by OTHER employers

Enter any actual or planned contributions to Section 457 plans offered by other employers. Include both employer and employee contributions.

Employer AND employee contributions to 403(b) plans offered by ANY employer

Enter any actual or planned contributions on behalf of this participant to 403(b) plans (also known as Tax Sheltered Annuities or Tax Deferred Annuities). Include all contributions to all plans. This means both employer and employee contributions and it means all plans sponsored by all employers. Not needed starting in 2002.

EMPLOYEE contributions to 401(k), SIMPLE or SARSEP plans with ANY employer

Enter employee contributions to 401(k), SIMPLE IRA, and SEP/IRA plans made under any employer. Do not include any employer contributions to such plans. Also do not include any salary deferrals made to a 401(k)(7) Rural Cooperative plan, as these have a special exception. Not needed starting in 2002.

Normal Retirement Age as defined for this Section 457 Plan

Enter the normal retirement age as defined in the Section 457 plan. This information is needed to determine eligibility for the catchup election.



Participant's tax year

This field is activated only when the system determines that the participant may be in the final year prior to Normal Retirement Age. In order to determine eligibility for the catchup election in such cases, the participant's tax year, if different from the calendar year, must be taken into account since eligibility is determined by tax years.

Enter the plan participant's tax year. For most people, the tax year is the same as the calendar year, so the system defaults to "January to December". You can select a different option, however, when it is appropriate.

Do available amounts not previously contributed to this plan equal or exceed \$XXXXX?

This field, and the one that follows, are only available for input if the participant is in his or her last three tax years prior to Normal Retirement Age (not including the year of normal retirement itself).

In those years, 457 plan participants are generally eligible for the catchup election that allows them to contribute up to \$15,000 per year (increasing to \$22,000 in 2002, and more thereafter). However, the extra amounts can be contributed only to the extent that available contributions were not made in prior years. The system will automatically calculate the difference between the normal contribution amount and the catchup limit. If you know that, in all prior years of Section 457 eligibility, the total amount the participant was eligible to contribute but did not contribute was at least the amount stated on the screen, then check "Yes". In this case you don't need to figure the exact amount of available, unused prior contributions.

If the total is within (less than) the limit stated on the screen, however, check "No".

If not, please enter total amounts not previously contributed

If you have checked "No" in the previous field, this field will become activated. Enter the exact amount of total unused prior contributions. The system will use this figure to calculate the correct catchup contribution, which will be less than the full normal catchup limit.