



Section 457 Contributions for Samuel Sample

Report produced May 21, 2002

Contribution Amount for this plan:
\$2,666.67 in Employer Contributions and \$3,333.33 in Salary Deferrals

Determining contribution limits to Section 457 plans is a three-stage process.

The first stage of the process is to determine the participant's compensation. In general, the value used in the Section 457(b) formula is the same as taxable compensation. In the present case, we are using a gross compensation amount of \$76,000.00. Further compensation of \$15,000.00 is added to this, and reductions of \$2,000.00 are subtracted, so that a net amount of \$89,000.00 will be used in the formula.

The next stage is to calculate the gross contribution limit. But first we have to determine which limit applies. In the last three years prior to normal retirement age, plan participants may use a Catchup provision that usually permits a higher contribution. This participant (born January 1, 1954) is not within the last three years prior to the plan's normal retirement age of 65, however, and so does not qualify. The normal limit for the year 2001 is the lesser of \$8,500.00 and 25% of compensation. (The actual rule is one-third of "includible" compensation, which is compensation less Section 457 contributions, but this is equal to 25% of the unreduced amount.) In this case, 25% of \$89,000.00 is \$22,250.00, and the lesser of this and \$8,500.00 is \$8,500.00.

The final stage of the calculation is to subtract out contributions to other plans. In this case, this means \$2,500.00 in 401(k) salary deferrals. The remainder available for the current plan is therefore \$6,000.00. The employer is making a fixed contribution of \$1,000.00, leaving \$5,000.00 for further contributions. The maximum employer matching contribution (50.00% of salary deferrals up to an employee contribution of 5.00%) will then equal \$1,666.67.

The amount available for employee salary deferrals is therefore \$3,333.33.

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