

## **Instructions and Requirements to Determine DCP/457(b) Final 3-Year Catch-up Option Salary Reduction Contribution Limits**

### **Requirements:**

You are required to submit the attached calculation Worksheet if you wish to use the Final 3-Year Catch-up Option in the District's 457(b) Deferred Compensation Plan ("DCP/457(b) Plan"). Salary reduction contributions to your DCP/457(b) Plan account, utilizing the Final 3-Year Catch-up Option *cannot begin* if a calculation has not been submitted to determine your eligibility for use of this Option.

### **Instructions and Information:**

**It is important to understand that the assets in a DCP/457(b) Plan are set-aside in a trust, an annuity contract, or a custodial account for the benefit of you and your beneficiaries. However, ownership of the assets must, under IRS regulations, remain with the District as your employer until the assets are eligible to be distributed to you. Please read the definitions carefully where we further explain this requirement.**

1. Calculations must represent all contributions you expect to make to your DCP/457(b) Plan with this District regardless of whether you are using one provider, or multiple providers. All 457(b) accounts maintained for you by this Employer are considered *one account* for purposes of the contribution limits.
2. You may use the assistance of 457(b) agents or providers who will utilize their own custom forms or computer programs to develop the data you will need to complete the worksheet. *It is your responsibility to provide accurate information* to your agent/broker/provider to perform calculations. Please do not attach the provider worksheets or computer print outs – submit only the attached worksheet.
3. The calculations incorporate the significant legislative changes of the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Technical Correction Measures in the Job Creation and Worker Assistants Act of 2002, and are based on current IRS Code and related regulations in existence at the time of preparation of these materials.
4. Please carefully review the definitions that follow Worksheet B so that you enter the correct data on the worksheet. When there is a definition specific to a line in either worksheet, we have so indicated.
5. If you are making 457(b) contributions to the Plan of another employer, those must be taken into consideration in the calculations. The annual limits will apply to **all** 457(b) contributions.

## Worksheet Definitions

1. **Total Compensation.** Includes gross salary, bonuses, and other wages paid by District through the end of the *calendar* year for which calculations are being done.
2. **Includible Compensation.** Compensation from your employer for the entire calendar year, for which calculations are being done, minus any mandatory pre-tax reductions as described in number 2 above. Includible compensation does include your voluntary salary reduction contributions to a 403(b) Plan, a Section 125 Cafeteria Plan, a transportation fringe benefit plan, and the amount you will contribute to a 457(b) Plan.
3. **Normal Retirement Age.** The normal retirement age specified in the District's DCP/457(b) Plan Document is:  
**If a member of STRS-Age 60**  
**If a member of PERS-Age 55**
4. **Final 3-Year Catch-Up.** In one, two, or all three of the last three tax years *before the tax year in which* you reach Normal Retirement Age; you may be able to increase your contributions to 200% of the basic limit. You can elect this option only *once with this District, whether or not you use it in one, two or all three of the last three tax years in which it is permitted.* To determine eligibility for increased contributions, take into consideration *only* the prior tax years in which you were eligible to participate in the 457(b) Plan of *this employer.* Eligibility for increased contributions will be determined by all employee reductions and employer contributions that have been contributed in all prior years with *all* employers to a 457(b) Plan; and in all years before 2002 *all elective deferrals you have made with all employers to a TSA/403(b) Plan, or any other elective deferral plan only during the years you were eligible for this District's 457(b) Plan.* For years after 2001, eligibility will be determined by taking into consideration *only the salary reduction contributions made to a 457(b) Plan of any employer.* Employees may wish to seek assistance from a financial advisor or other professional in calculating the catch-up option to be sure that the calculations are accurately recorded on Worksheet B. The Internal Revenue Service has indicated plans to focus on this specific catch-up contribution in future audits; thus, care must be taken to carefully calculate eligibility to use it. Excess contributions to your 457(b) Plan could cause tax consequences and penalties to you.
5. **Under-utilized Deferrals.** For purposes of Worksheet B, Part II, you must take into consideration all deferrals made with all employers *during the years you were eligible to participate in a 457(b) Plan,* beginning with 1979. Deferrals are salary reduction contributions that you have made to 1) a 457(b) Plan, 2) a TSA/403(b) Plan, 3) a SAR SEP, 4) a SIMPLE IRA or 401(k), and 5) a Section 501(c)(18) Plan.

**Worksheet  
Catch-Up Contributions  
457(b) Deferred Compensation Plan**

A. Employer Name: \_\_\_\_\_

B. Employee Name: \_\_\_\_\_

B. Social Security #: \_\_\_\_\_

C. For Calendar Year: \_\_\_\_\_

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**Part I:**

**Final 3-year Catch-up Option (See Definition #4)**

**Special Note:** You may not use this option if you are in your last year of service. Any increased contributions for which you are eligible under this option can be made only in one, two, or all three years prior to your **Normal Retirement Age** under this plan as further explained in definitions. You may not use the age 50+ Catch-up Option if the Final 3-Year Catch-up Option results in a greater limit.

**Calculations.**

1B. My **Normal Retirement Age** (See **Definition #3**), which will occur in the listed calendar year:

Normal Retirement Age \_\_\_\_\_ Calendar Year \_\_\_\_\_

**Caution:** Normal Retirement Age must be no earlier than Normal Retirement Age as stated in the Employer's 457(b) Plan Document and Adoption Agreement.

You are permitted to elect this option only once per employer and are permitted to use it for one or more of the last three calendar years *before* the listed calendar year. You must submit **a completed Worksheet in each** of the three years you are utilizing the option.

2B. List your **under-utilized deferrals (See Definition #6)** for all years *after* 1978 that you were eligible to participate in a 457(b) Plan of this Employer (use additional sheets if needed.):

**Table A**

For years ending December 31, 2001, include all elective deferrals, and all salary reduction contributions made to all plans of all employers.

| <i>A</i> | <i>B</i>           | <i>C</i>        | <i>D</i>                    | <i>E</i>                    | <i>F</i>        |  |
|----------|--------------------|-----------------|-----------------------------|-----------------------------|-----------------|--|
| Year     | Gross Compensation | Multiply by 25% | * Maximum Possible Deferral | The Lesser of Columns C & D | Actual Deferral |  |
|          |                    |                 |                             |                             |                 |  |
|          |                    |                 |                             |                             |                 |  |
|          |                    |                 |                             |                             |                 |  |
|          |                    |                 |                             |                             |                 |  |
|          |                    |                 |                             |                             |                 |  |
|          |                    |                 |                             |                             |                 |  |

**Under-utilized Deferrals:** Deferrals are all salary reduction contributions that you have made to: 1) a 457(b) Plan; 2) a TSA/403(b) Plan; 3) a SAR SEP; 4) a SIMPLE IRA or 401(k); and 5) a Section 501(c)(18) Plan.

**\*Footnote:**

For years before 1998, the maximum can be no more than \$7,500.

For 1998, 1999, and 2000, the maximum can be no more than \$8,000.

For 2001, the maximum can be no more than \$8,500.

For 2002, the maximum can be no more than \$11,000.

**Table B**

For years beginning in 2002 and after, list *only the contributions made to a 457(b) plan; do not include deferrals to any other type of plan (including TSA/403(b)).*

| <i>A</i> | <i>B</i>                                  | <i>C</i>                  | <i>D</i>                    | <i>E</i>        |  |
|----------|---|---------------------------|-----------------------------|-----------------|--|
| Year     | Includible Compensation (See Definitions) | Maximum Possible Deferral | The Lesser of Columns B & C | Actual Deferral |  |
|          |   |                           |                             |                 |  |
|          |   |                           |                             |                 |  |
|          |   |                           |                             |                 |  |
|          |   |                           |                             |                 |  |
|          |   |                           |                             |                 |  |
|          |   |                           |                             |                 |  |

**EMPLOYEE’S CERTIFICATION AND INDEMNIFICATION**

The undersigned employee does hereby certify that the contributions that are made by the Employer through voluntary salary reductions to the DCP/457(b) Plan are within the eligible contribution limits permitted under the Internal Revenue Service Code and Regulations; and the information provided in this Worksheet is accurate and can be relied upon to determine eligibility for catch-up contributions. Employee further acknowledges that the District, its governing board, the County Superintendent of Schools, officers, and employees respectively (“Accommodating Parties”) as set forth in the Salary Reduction Agreement bear no responsibility for the calculations. The Employee agrees to hold harmless and indemnify the Accommodating Parties from any and all damages that my result from Employee’s participating in the District’s DCP/457(b) Plan, including the incorrect calculation of the Employee’s contribution limits. Indemnification from damages shall include any tax, interest, penalties, or assessments, or related costs that may be incurred by or imposed upon the Accommodating Parties. The Employee agrees and authorizes the District to recover indemnification through payroll deduction or, at the option of the District, through any other legal process.

Employee Signature \_\_\_\_\_

Date \_\_\_\_\_