

TAX-DEFERRED RETIREMENT PLAN LIMITS

PERSI Employer Responsibility for Limit Testing in 2009

Limits on Tax-Deferred Retirement Plans

All tax-deferred retirement plans are subject to limits on the amount of compensation that can be deferred or otherwise contributed by or on behalf of a participant. When an employer offers multiple plans or vehicles for retirement savings (including 401(k), 403(b), and/or 457 plans) to its employees, care must be taken to coordinate the various applicable limits.

Elective Deferral [IRC Section 402(g)] Limits for 2009

The IRS limits the amount of money an employee can contribute (defer from salary) for 2009, as shown in the chart below. These are the "IRC Section 402(g)" limits.

	2009	2008
401(k)/403(b) Elective Deferral Limit	\$16,500	\$15,500
457 Elective Deferral Limit	\$16,500	\$15,500
Age 50 Catch-Up Limit for 401(k), 403(b), and 457 Governmental Plans	\$5,500	\$5,000

In the future, the elective deferral limit may be adjusted for inflation annually in \$500 increments. The limit is determined by the Internal Revenue Service.

Catch-Up Provisions

If the participant is at least 50 years of age during 2009, he may contribute an additional \$5,500 to a 403(b) and/or 401(k). The contributions to those two plans are combined for limits purposes. The participant may also contribute an additional \$5,500 to a 457 plan; that limit is not coordinated with the 401(k) or 403(b) plans.

Coordination Between Plans

Participants may contribute the maximum voluntary contribution into both a 401(k) and a 457 plan, or a 457 plan and 403(b) plan. If the participant contributes to a 401(k) and a 403(b), he or she may only contribute a maximum of \$16,500 (\$22,000 if age 50 or older) between both plans during 2009.

Contributions to the 401(k) and 403(b) plans are combined for purposes of calculating the annual limit as well as the catch-up contributions. Contributions to a 457 plan are not coordinated with the 401(k) or 403(b) plans for limits purposes. For example:

402(g) Deferral Limits	Under Age 50	Age 50 & Older	Comments
401(k) Plan only	\$16,500	\$22,000	
403(b) Plan only	\$16,500	\$22,000	
457 Plan only	\$16,500	\$22,000	
401(k) & 403(b) Plans	\$16,500	\$22,000	Combined limit
401(k) & 457 Plans	\$33,000	\$44,000	Separate limits each plan \$16,500/\$22,000
403(b) & 457 Plans	\$33,000	\$44,000	Separate limits each plan, \$16,500/\$22,000

If you offer a 457, that plan may provide for additional catch-up provisions in the three years immediately preceding normal retirement. Check with your 457 plan administrator.

The 403(b) also has its own additional catch-up provision called the "15-year rule." Check with your 403(b) provider for more details.

Annual Additions [IRC Section 415(c)] Limits

An employer may choose to match a participant's contributions to any 401(k) or 403(b) plan or provide one-time periodic contributions, if they meet the requirements of the Choice Plan as well as IRS regulations. These are the "IRC Section 415(c)" limits.

In a 401(k) plan or 403(b) plan, the employer contribution together with any voluntary contributions (salary deferrals) made by the participant may not exceed the participant's gross salary or \$49,000 in 2009, whichever is less. The 415 limits are not applicable to 457 plans, which generally cannot receive employer contributions.

If you make or plan to make employer contributions into the PERSI Choice 401(k) Plan on behalf of your employees, please call PERSI (1-800-451-8228, or 334-3365 in the Treasure Valley area, ext. 256) to have the arrangement reviewed to make sure it complies with IRS requirements as well as Choice Plan provisions.

Questions on Limits

Because deferral limit issues can be complicated, particularly when a member contributes to multiple plans, PERSI encourages members and employers to consult a qualified tax professional to ensure all applicable limits are not exceeded. If you are unable to resolve questions, please contact PERSI. Although PERSI can provide limited direction and assistance, the member and employer are ultimately responsible for assuring limits are not exceeded. Failure to comply with limits can result in penalties against both the participants and the employer.

Limits Calculator

We provide a Limits Calculator on the PERSI Web site for your use in calculating where individual employees are with respect to reaching the annual limits to the voluntary tax-deferred retirement plans. To use the Limits Calculator, go to:
http://www.persi.idaho.gov/Choice_Plan/LimitsCalc/