

## What is a 457 Plan?

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A 457 plan is a deferred compensation plan for employees of educational institutions, and certain other not-for-profit organizations that meets the applicable requirements of section 457 (b) of the IRS Internal Revenue Code. 457 plans provide a means to maximize retirement savings. All employees of the San Mateo County Community College District are eligible to participate in a 457 plan through payroll deductions. The district maintains a list of approved vendors for 457 plans and employees have the option of selecting from investment options offered by these vendors.

These plans allow employees to reduce current taxable income while setting aside funds to supplement retirement benefits. Taxes on investment earnings are also deferred, allowing for long-term investment growth. Withdrawals are taxed as ordinary income, but many retirees find themselves in a lower tax bracket than when they were working. (A 10% penalty may apply for early withdrawal.)

Of the many IRS rules and regulations governing 457 plans, there are a few fundamental principles:

- The amount that can be contributed in pre-tax dollars to 457 retirement plans is limited by both an overall maximum and your income.
- You can make withdrawals from your account when you leave employment, regardless of age. There is no penalty for withdrawals, you will, however, owe income tax.
- Most people in 457 retirement plans and Tax Deferred Annuity plans must start receiving minimum distributions by April 1st following the year they turn 70 1/2 or retire, whichever is later. 457 funds accumulated prior to 1987 aren't subject to mandatory federal minimum distribution rules, but are subject to other distribution requirements.

## Annual Contribution Limits

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The IRS imposes contribution limits for employees participating in a 457 plan. These are total contribution limits for **all** 457 plans an employee may participate in. The chart below details the annual contribution limits

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### 457 Retirement Plan Annual Contribution Limits

457 Plan Dollar Limits						
Rule	2019	2020	2021	2022	2023	2024
Limit on employee contributions	\$19,000	\$19,500	\$19,500	\$20,500	\$22,500	\$23,000
"Catch-Up" contributions for participants 50 or over	\$6,000 additional	\$6,500 additional	\$6,500 additional	\$6,500 additional	\$7,500 additional	\$7,500 additional

**Note: \* = Limits subject to annual review by the IRS.**

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As indicated in the chart above, here are certain catch-up limits that allow contributions above the established limitations. You may want to consult a tax advisor to seek additional guidance if you plan on taking advantage of any of these catch-up provisions.

- **Age 50+ Catch-up:** You are eligible to make additional annual "Age 50+ Catch-up" contributions to your 457 plan beginning in the year you turn age 50. If you're already contributing the maximum to your 457 plan, you may be eligible to use these pre-tax, catch-up contributions to save even more for retirement. You should check IRS guidelines for the current restrictions on the "Age 50+ Catch-up" provisions.
- **Coordination of 403(b) plan contributions:** 403(b) plan contributions do not count against contributions to 457 plans, so employees participating in both an eligible 403(b) plan and 457 plan could have a double contribution limit. However, employee's total contribution amount to all 457 plans cannot exceed the annual maximum contribution limit.



## **How Can I Participate in the San Mateo County Community College District 457 Plan?**

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The San Mateo County Community College District 457 plan currently has two approved vendors through which employees can participate in 457 deferred compensation investment options.

- Empower (formerly Mass Mutual)
- VALIC
- CalSTRS Pension 2

You will find enrollment forms and plan information on our District Downloads. To participate in the 457 plan you must complete an enrollment form, have the vendor representative sign off, and submit the form to District Office Payroll.

Submit the 457 plan enrollment form to the following District Office Payroll personnel:

- Sarita Lopez – faculty
- Christopher Luo – administrators and classified

The 457 deferred compensation agreement must be submitted to District office Payroll prior to the first day of the month in which the compensation would be made available. The deferred compensation agreement remains in place until employee submits changes to the election to increase, reduce, or stop deferrals.

### **Questions:**

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If you have questions about the 457 plans available through the San Mateo County Community College District please contact David Feune at (650) 358-6775 or feune@smccd.edu.