

Q&A – 403(b) and 457(b) Deferral Limit

Q For 2006, what is the maximum employee salary deferral amount an individual can contribute if he/she is eligible to participate in both a 403(b) and 457(b) plan?

A All employee salary deferrals contributed to a 401(k), 403(b), Salary Reduction Simplified Employee Pension (SAR-SEP) and Savings Incentive Match Plan for Employees (SIMPLE) plan are aggregated to determine whether the individual has met the deferral limit under Section 402(g) of the Internal Revenue Code.

Employee salary deferrals to a 457(b) plan, however, are not aggregated with deferrals to other plan types. They are subject to a separate limitation under Section 457(e)(15)(A). So, in other words, if a person is eligible to participate in a 403(b) plan *and* a 457(b) plan for 2006, he/she may defer \$15,000 to each plan for a total of \$30,000 in employee salary deferrals. In addition, if the individual is over age 50, he/she would be eligible for an additional "catch-up" contribution of \$10,000 (i.e., \$5,000 to each plan). (Note: 457(b) plan participants who are within three years of retiring may want to take advantage of an alternative catch-up contribution provision.)