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Gatekeeper Solutions

Newsletter

Final 415 Regulations

Relief for Retiree Payments

By: 403(b) "Gatekeeper" ServicesSM

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On April 5, 2007, the IRS issued finalized regulations governing Section 415 of the Internal Revenue Code. These regulations provide guidance in the calculation of the overall contribution limitation for employee and employer contributions combined among a given employer's retirement plans.

This limit includes all employer and employee contributions covered under this code section but including IRC §403(b) and 401(k) plans. This limit does not include § 457(b) arrangements. For 2007, the limit is \$45,000 however, age 50 catch-up contribution under §414(v) are not included in this limit. Therefore, employees over the age of 50 contributing \$20,500 in salary deferrals could receive as much as \$50,000 under this combined limit.

In these finalized regulations, the IRS offers further relief in contributions of employer post-severance contributions termed "non-elective employer" contributions. These contributions have become increasingly attractive in the design of retirement incentive packages as a means to escape strains imposed through mandates in the compensation increase limitations under state retirement systems.

Previously, the proposed regulations provided that the post-severance payments must be made within 2-1/2 months after the date of termination. Now, the final regulations provide that the payments must be made before the later of: 2-1/2 months after the date of termination of employment or the end of the limitation year that includes the date of termination from

employment. The final regulations go on to say that governmental plans may substitute the calendar year that includes the employment termination date for the limitation year that includes the employment termination date if the plan has a non-calendar limitation year. In addition, there is also an exception to the post-severance timing rule for amounts paid to a permanently and totally disabled participant, provided certain conditions are satisfied.

If you offer a post-severance package including “non-elective employer” contributions or would like to get more information concerning features such as these, you may contact us at info@gatekeeperteam.com.

Gatekeeper Administration & Consulting, LLC is an independent third party plan administrator providing design, administration, and compliance services to eligible employers of 403(b) plans including public education entities, non-profit corporations, and church organizations.

Feel free to contact us at 877-403-4411 or visit our website at <http://www.gatekeeperteam.com>. If you would like to be removed from this email list just contact us at info@gatekeeperteam.com.

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