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Code: TECHNICAL LETTER
HR/BENEFITS 2002-28

To: Human Resources Directors
Benefit Officers

From: Cathy Robinson 
Assistant Vice Chancellor
Human Resources Administration

Subject: 403(b) Tax Sheltered Annuity Catch-Up Calculation Worksheet

Internal Revenue Code (IRC) Section 402(g)(8) provides for a “catch-up” election, which permits certain long-term employees to increase their elective deferrals over the 402(g) limit. The 402(g) limit for 2003 is \$12,000.

Under this catch-up election, employees with 15 or more years of service with the same employer may be eligible to contribute an additional \$3,000 per year beyond the IRC Section 402(g) limit, for up to 5 years, or a lifetime maximum of \$15,000. Employees who wish to contribute using this catch-up provision must demonstrate eligibility by completing the CSU Catch-up Calculation Worksheet. A revised copy of the Calculation Worksheet is attached. The Worksheet must be completed every year for which a participant wishes to contribute more than the annual 402(g) limit. For 2003, contributions using the 402(g)(8) catch-up provision cannot exceed \$15,000 (\$12,000 402(g) limit, plus \$3,000).

For information on elective deferral limits, and other catch-up options, refer to Technical Letter HR/Benefits 2002-08, and the CSU 403(b) Tax Sheltered Annuity Administrative Guide (Technical Letter HR/Benefits 2002-22).

Questions regarding this technical letter may be directed to Human Resources Administration at (562) 951-4411. This Technical Letter is also available on Human Resources Administration’s Web site at: <http://www.calstate.edu/HRAdm/memos.shtml>.

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Attachment

Distribution:

CSU Presidents
Vice Chancellor, Human Resources
Payroll Managers
Director, SOSS



**California State University
403(b) Tax Sheltered Annuity
IRC Section 402(g)(8) Catch-up Calculation Worksheet**

Effective for the 2003 Tax Year

Note to employee: Contributions to the 403(b) program must be no greater than the lesser of two different IRS limits. These limits are under Internal Revenue Code (IRC) §415(c), and §402(g). **For 2003, the 402(g) limit is \$12,000; the 415(c) limit is the lesser of 100% of compensation, or \$40,000.** The 402(g) limit is an annual limit; it is reduced if you contribute to a §401(k) plan or a Simplified Employee Pension (SEP) during the year, even if those plans are sponsored by a different employer. However, it is not reduced by your 457(b) or CalPERS retirement contribution.

IRC §402(g)(8) provides a “catch-up” provision for the 402(g) limit, which permits eligible employees to contribute up to an additional \$3,000 during the year. **If you wish to contribute more than the 402(g) limit under this provision, you must demonstrate your eligibility for the catch-up provision by completing this worksheet for each tax year that you wish to contribute a higher amount.**

Information you will need before completing this worksheet:

- ⇒ Your years of service with CSU.
- ⇒ The maximum contribution you would be eligible to make during 2003 to the 403(b) program before considering the 402(g)(8) catch-up provision. Contact your 403(b) vendor representative or tax advisor if you need assistance with these calculations.
- ⇒ The 403(b) contributions you made each year while employed by the CSU.

Step 1: Enter your years of service at CSU (complete attached “Years of Service Worksheet”). If you have less than 15 years of service, **STOP** -- you are not eligible to use the catch-up provision. _____ Years (1)

Step 2: Enter your maximum 2003 403(b) contribution under the lesser of the 415(c) “100% of compensation,” or \$40,000. (Compensation for the percentage calculation is taxable income plus pretax employee contributions to an IRC 403(b), 457, 401(k), 132(f) (pre-tax transportation reimbursement) or 125 plan but does not include pretax contributions to CalPERS retirement.) The 402(g) limit is not considered in Step 2 of the calculation. Only the 415(c) limit or \$40,000 is considered. If your answer is less than \$12,000, **STOP** -- you are not eligible for the catch-up provision and your limit for 2003 is the amount entered for this step. \$ _____ (2)

Step 3: 403(b) contributions prior to 1988 may be ignored for Step 3.

(A) Year	(B) 403(b) Contributions*	(C) 402(g) Limit	Difference: (B) minus (C), but not less than \$0
1988	_____ minus	\$9,500	= _____
1989	_____ minus	\$9,500	= _____
1990	_____ minus	\$9,500	= _____
1991	_____ minus	\$9,500	= _____
1992	_____ minus	\$9,500	= _____
1993	_____ minus	\$9,500	= _____
1994	_____ minus	\$9,500	= _____
1995	_____ minus	\$9,500	= _____
1996	_____ minus	\$9,500	= _____
1997	_____ minus	\$9,500	= _____
1998	_____ minus	\$10,000	= _____
1999	_____ minus	\$10,000	= _____
2000	_____ minus	\$10,500	= _____
2001	_____ minus	\$11,000	= _____
2002	_____ minus	\$11,000	= _____

TOTAL= _____

If total exceeds \$15,000, **STOP** -- you are not eligible for the catch-up provision.

If total is less than \$15,000, subtract total from **\$26,000**: \$26,000 minus total above _____ Enter RESULT: \$ _____ (3)

***Note: Column (B) should include contributions made by you to any Section 401(k) plan or Simplified Employee Pension (SEP). (Do not include your 457(b) or CalPERS retirement contributions.)**

Step 4: Enter the RESULT from Step 3: \$ _____ (4)

a) Years of Service entered in Step 1 _____ years

b) Multiply by \$5,000 x \$5,000
 This equals: \$ _____

c) Subtract your prior 403(b) or 401(k) contributions for
 the entire period of your CSU employment - _____
 This equals \$ _____
 If the answer to 4(c) is less than zero, **STOP** -- you are
 not eligible for the catch-up provision and your limit for 2003
 is \$12,000.

d) If 4(c) is greater than zero, add \$12,000 + \$12,000
 RESULT: \$ _____

Step 5: Enter \$15,000 \$ _____ (5)

Step 6: Enter the least of the amounts from steps (2), (3), (4), and (5). This is the
 maximum amount you are permitted to contribute using the 402(g) (8) catch-up provision. \$ _____ (6)

Note: If you are or will be age 50 by the end of the plan year, and you have contributed the lesser of 100% of pay or the maximum permitted under 402(g), you are eligible to defer an additional \$2,000 to the amount shown in Step 6. You must confirm your date of birth below (it must be December 31, 1952 or earlier).

REMINDER FOR EMPLOYEES CONTRIBUTING TO THE STATE DEFERRED COMPENSATION (457) PLAN: In general, the limit on your annual contribution to the State of California's Deferred Compensation Plan for 2003 is the lesser of \$12,000, or 100% of your taxable compensation. Any amounts you contribute to the 403(b) plan no longer have to be subtracted from the 457 limit. In addition, age 50 catch-up contributions to a 403(b) or 401(k) plan do not count against the age-50 catch-up contributions to a governmental 457 plan.

I certify that to the best of my knowledge, the information used in completing this worksheet is accurate.

Please Print Name: _____ Date of Birth*: _____ Soc. Sec. No**: _____

Employee Signature: _____ Date: _____

**Date of Birth is required to permit additional contributions for employees age 50 or over.*

***Your Social Security number is required because it is your payroll identification number and your 403(b) contribution affects payroll transactions.*

Received by
 Campus Representative: _____ Date: _____

