



PENSIONS AND BENEFITS USA

Dear Participant:

It is important for you to be aware that the Internal Revenue Code limits how much may be deposited into your 403(b) account each tax year. The Pension Protection Act of 2006 made permanent the 403(b) maximum contribution provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001. You will find information on the second page of this letter explaining the current contribution limits. Please note that if you have 15 or more years of service with the church, or if you are age 50 or older, there are special provisions that allow you to exclude higher amounts of your income.

I encourage you to obtain IRS Publication 571, "Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations." It is available from the IRS by calling 1-800-TAX-FORM (829-3676), or on the Web at

<https://www.irs.gov/pub/irs-pdf/p571.pdf>

It contains helpful information on how to calculate your contribution limits. Also, you may want to consult with your own local tax advisor to ensure any tax liability is met.

If you have any questions concerning this information, or want to increase your contributions to your Nazarene 403(b) account, please contact the Pensions and Benefits office. It is a pleasure to be of service.

**See Maximum Contribution Chart on second page**

## Maximum Contribution Limits for 2014-2019

	2019	2018	2017	2016	2015	2014
<b>Elective Deferrals</b>	\$19,000	\$18,500	\$18,000	\$18,000	\$18,000	\$17,500
<b>Annual Contribution Limit</b>	\$56,000	\$55,000	\$54,000	\$53,000	\$53,000	\$52,000
<b>Catch-Up Contributions</b>	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$5,500

The **Elective Deferral Limit** is the maximum contribution that can be made on a pre-tax basis to a 401(k) or 403(b) plan (Internal Revenue Code section 402(g)(1)). Some refer to this as the salary reduction limit or employee limit. This limit is indexed to inflation and may adjust annually in \$500 increments.

The **Annual Contribution Limit** is the maximum annual contribution amount that can be made to a participant's account (IRC Section 415). This limit is actually expressed as the lesser of the dollar limit or 100% of the participant's compensation, applied to the combination of employee contributions, employer contributions and employer APS contributions. This limit is indexed to inflation and may adjust annually in \$1,000 increments.

**Catch-Up Contributions:** The Pension Protection Act (PPA) of 2006 made permanent the EGTRRA 2001 rules which allow certain individuals aged 50 and over to make so-called "catch-up" contributions, in addition to the elective deferral limits. This limit is indexed to inflation and may adjust annually in \$500 increments.

**Additional 402(g) Limit for Church Workers:** If you have at least 15 years of service with the Church of the Nazarene, the limit on Elective Deferrals to your 403(b) account is increased by the least of the following:

1. \$3,000, or
2. \$15,000, reduced by the the sum of:
  - a. The increases to the elective deferral limit you were allowed in earlier years because of this rule, plus
  - b. The aggregate amount of designated Roth contributions for prior tax years, or,
3. \$5,000 times the number of your years of service for the church, minus the total elective deferrals made by your employer on your behalf for earlier years.

If you qualify for the 15-year rule, your elective deferrals under this limit can be as high as \$22,000 for 2019. And, if you also are age 50 or older, your total elective deferrals could be \$28,000 for 2019.

Current tax law directs that any contributions made in addition to the Elective Deferral Limit be contributed in the following order: 1st – any available under the 402(g) Limit for Church Workers (or 15-years-of-service contributions); and 2nd – any Catch-Up Contributions (or age 50 contributions).

### **Aggregation of Plans:**

If a Participating Employer has adopted the Nazarene 403(b) Retirement Savings Plan and maintains another 403(b) Plan, any qualified plan, or plan using individual retirement accounts, they are responsible for monitoring compliance with respect to the provisions of the Plan and Internal Revenue Service Regulations applicable to plans that are aggregated for compliance and limitation purposes.