The California State University
SYSTEMWIDE HUMAN RESOURCES

Date: April 8, 2016

Code: **TECHNICAL LETTER HR/Benefits 2016-04**

To: Human Resources Officers
Benefits Officers
Campus Designee Responsible for Administering Retirement Benefits

From: Evelyn Nazario
Associate Vice Chancellor
Human Resources Management

Beth Ryan
Director, Benefits & HR Programs
Human Resources Management

Subject: **General 403(b), 401(k) and 457(b) Retirement Plans Update including 2016 Internal Revenue Code Limits**

Dear Colleagues:

The attached technical letter (HR/Benefits 2016-04) reflects the 2016 Internal Revenue Code Limits. This technical letter should be viewed in its entirety by Benefits Officers and any campus designees responsible for administration of the CSU TSA Program.

Questions regarding this technical letter may be directed to Human Resources Management at (562) 951-4411.

Warm regards,

Evelyn and Beth

The California State University
SYSTEMWIDE HUMAN RESOURCES

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Code: **TECHNICAL LETTER HR/Benefits 2016-04**

To: Human Resources Officers
Benefits Officers
Campus Designee responsible for CSU Tax Sheltered Annuity Program

From: Evelyn Nazario
Associate Vice Chancellor
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Beth Ryan
Director, Benefits & HR Programs
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Subject: **General 403(b), 401(k) and 457(b) Retirement Plans Update including 2016 Internal Revenue Code Limits**

Summary

This Technical Letter provides campuses with information regarding the following:

- 2016 Internal Revenue Code (IRC) elective deferral and catch-up contribution limits for 403(b), 401(k) and 457(b) plans.
- 2016 Plan Comparison Chart
- Annual Universal Availability Notification for CSU 403(b) Tax Sheltered Annuity Program (TSA)
- Saving Made Easy Brochure

Note: Compensation Limits for retirement plans under the Public Employees' Pension Reform Act of 2013 (PEPRA) and IRC Sections 401(a)(17) and 415(b)(1)(A) are provided in HR/Benefits 2016-03.

This technical letter should be reviewed in its entirety by Benefits Officers and any campus designees responsible for administration of the CSU Tax Sheltered Annuity Program.

Background

The IRS announced that the Internal Revenue Code (IRC) limits for 415(c)(1)(A), 402(g), 457(e)(15), and 414(v) will remain the same for 2016. A summary of the IRC limits is listed in the chart below.

Internal Revenue Code Limit	Tax Year 2016
402(g) Elective Deferral Limit for 401(k) and 403(b) Plans	$18,000
457(e)(15) Contribution Limit for 457 Plans	$18,000
415(c)(1)(A) Defined Contribution Plan 415 Limit	$53,000
414(v)(2)(B)(i) Age Based (50) Catch-up Contribution Limit	$6,000

Elective Deferral Limits

The Internal Revenue Code (IRC) establishes specific limits that govern amounts an individual can contribute to pre-tax salary reduction retirement plans, such as 403(b), 401(k) and 457(b) plans. Two limits determine the amount that an employee may contribute on an annual basis. The employee may contribute the **lesser** of:

1) The IRC Section 402(g) Elective Deferral Limit for 403(b) and 401(k) plans, which is $18,000; or

2) The IRC Section 415(c)(1)(A) Defined Contribution Plan 415 Limit, which is defined as 100% of adjusted gross salary up to a maximum of $53,000. Plus:

Distribution:

CSU East Bay, President	Vice Chancellor, Human Resources	Student Academic Affairs
Cal Maritime, President	Vice Presidents, Administration	Budget Officers
Executive Vice Chancellor and CFO	Deans, Faculty Affairs	State Controller's Office

3) The IRC section 457(e) (15) Deferred Compensation Deferral Limit for 457 plans, which is $18,000.

For the 2016 tax year, a participant can elect to contribute up to $18,000 to a 403(b) or 401(k) plan, subject to the 415(c) limit, AND $18,000 to a governmental 457(b) plan, for a total contribution of up to $36,000.

Please note, participants may contribute to both a 403(b) and 401(k) plan in the same tax year, however, combined contributions across both plans cannot exceed $18,000. For example, a participant may contribute $9,000 in each plan, or any numeric combination that is equal to or less than $18,000.

The 2016 Plan Comparison Chart specifying these amounts is attached (see Attachment A).

Coordination of Additional Catch-Up Contributions

The following "catch-up" allowances are available as an addition to the IRC Section 402(g) "elective deferral limit," and apply to all or specific retirement savings plans as follows:

IRC Section	Description	Amount
402(g)(7)	15-Year Catch-Up Allowance Exclusive to the 403(b) Plan	$3,000
414(v)(2)(B)(i)	Age 50 Catch-Up Allowance Available for 403(b), 401(k), and 457 Plans	$6,000
457(e)(15)	Deferred Compensation Deferral Limit Exclusive to the 457 Plan	$36,000

1) IRC Section 402(g)(7) provides a special "catch-up" election for 403(b) tax sheltered annuities (TSA), which permits certain long-term employees to increase their elective deferrals over the 402(g) limit. 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 five years, or a lifetime maximum of $15,000.

   - **For 2016, contributions made under the 402(g) limit and the 402(g)(7) catch-up provision cannot exceed $21,000 ($18,000 (402(g) limit), plus $3,000 (402(g)(7) limit)).**

   - Employees who wish to contribute using this catch-up provision must demonstrate eligibility by completing the CSU Maximum Contribution Allowance Worksheet. IRC 402(g) limits and catch-up allowances are monitored by Fidelity's NetBenefits platform. Employees that are newly eligible for the 15-Year Catch-Up Allowance in 2016 or employees that were previously eligible but did not take advantage of the additional deferral, will need to complete and submit a Worksheet to the campus Benefits Office. Completed Worksheets must be forwarded to the Benefits Team in Human Resources Management (HRM) in order for the deferral limits to be updated in Fidelity NetBenefits.

   - As a reminder, once the usage of the 15-Year Catch-Up is documented in Fidelity's NetBenefits, the employee is not required to submit a Worksheet for subsequent tax years.

   - Please be advised that the CSU Maximum Contribution Allowance Worksheet (electronic version only) is updated and posted on HRM's CSYou site.

2) The Age-Based Contribution "catch-up" allowance under IRC Section 414(v)(2)(B)(i), available to employees age 50 and over, is $6,000 in the 2016 tax year. Individuals with a birth year of 1966 or earlier are eligible to participate, and can use this provision in a 403(b), 401(k), or 457(b) plan, provided that they have deferred the maximum amount available to the 403(b), 401(k) or 457(b) plan.

- **For 2016, contributions made under the 402(g) limit, and the 414(v)(2)(B)(i) age-based catch-up provision cannot exceed $24,000 ($18,000 (402(g) limit), plus $6,000 (414(v)(2)(B)(i) limit).**

- **If an employee qualifies for both catch-up provisions, contributions in 2016 cannot exceed $27,000 ($18,000 (402(g) limit), plus $3,000 (402(g)(7) limit), plus $6,000 (414(v)(2)(B)(i) limit).**

3) The 457(b) plan, administered by the Department of Human Resources (CalHR), Savings Plus Program, has a special provision that allows eligible participants to exceed the maximum annual elective deferral limit during the last three years ending before their normal retirement age. Generally, participants may contribute up to twice the maximum annual contribution amount to a 457(b) plan for each of the three years. (Certain restrictions apply.) In 2016, the amount is $36,000 (e.g., $18,000 x 2). To enroll in the 457(b) plan, or take advantage of this provision, participants must contact the Savings Plus Program directly. Please note: participants of the Savings Plus 457(b) plan cannot participate in this special catch-up provision and the age based catch-up allowance at the same time.

Annual Universal Availability Notification

CSU is required to provide an annual universal availability notification to all employees regarding the CSU Tax Sheltered Annuity 403(b) Program. This notification must be sent out each calendar year. Electronic copies of the communication materials are provided in this technical letter. Currently, campuses are required to post this notice on their website. HRM will provide the notice to all employees by the end of April 2016.

CMS Processing Instructions

This technical letter has no impact on the CMS Baseline.

General Information

Questions regarding this technical letter may be directed to Human Resources Management at (562) 951-4411. All forms, attachments and information may also be found on the HRM CSYou Benefits Portal. This Technical Letter is also available on Human Resources Management's CSYou site at: https://csyou.calstate.edu/Policies/HRPolicies/Forms/Default.aspx.

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2016 INTERNAL REVENUE CODE (IRC) LIMITS AND COMPARISON CHART
CALIFORNIA STATE UNIVERISITY (CSU) TAX SHELTERED ANNUITY (TSA) (403[b]) PROGRAM, STATE DEFERRED COMPENSATION (457[b]) AND STATE THRIFT (401[k]) PLANS

Eligibility: Generally, all employees are eligible to participate in the CSU TSA 403(b) Program with the exception of certain student classifications and Special Consultants. Seasonal or temporary employees required to be enrolled in the Part-time, Seasonal and Temporary Employees Retirement Program (PST Program) are not eligible to enroll in the 457(b) and 401(k) plans.

	ADMINISTERED BY CSU THROUGH FIDELITY	ADMINISTERED BY STATE OF CA (CalHR) THROUGH NATIONWIDE	
	CSU TSA (403[B]) PROGRAM	DEFERRED COMP (457[b])	THRIFT PLAN (401[k])
TAXABLILTY	Deferred tax on investment; variety of investment choices.	Deferred tax on investment; variety of investment choices. Roth also available.	Deferred tax on investment; variety of investment choices. Roth also available.
DEFERRAL LIMITS	$15 minimum monthly contribution. Maximum annual contribution is $18,000.	$50 minimum monthly contribution. Maximum annual contribution is $18,000.	$50 minimum monthly contribution. Maximum annual contribution is $18,000.
AGE BASED DEFERRAL	Additional $6,000 age based catch-up deferral available to participants who will reach age 50 by the end of the calendar year.	Additional $6,000 age based catch-up deferral available to participants who will reach age 50 by the end of calendar year.	Additional $6,000 age based catch-up deferral available to participants who will reach age 50 by the end of the calendar year.
15 YEAR CATCH-UP	15-year "Catch-up" provision may be available for up to $3,000 per year, for a lifetime maximum of $15,000. Participants must prove eligibility by submission of completed Maximum Contribution Calculation Worksheet.	Traditional 457 "Catch-up" provision up to $36,000 is available. Participants in this plan cannot utilize both the age-based, and special 457 catch-up provisions in the same calendar year. Contact Savings Plus for details.	The 15-year "Catch-up" provision and Traditional 457 "Catch-up" is not available.
ROLLOVERS	Eligible rollover in from another employer's 403(b), 401(k) or governmental 457(b) plan.	Eligible rollover in from another employer's 403(b), 401(k) or governmental 457(b) plan.	Eligible rollover in from another employer's 403(b), 401(k) or governmental 457(b) plan. Or from a Traditional IRA.
ROLLOVER DISTRIBUTIONS	Eligible rollover to another employer's 403(b), 401(k), or governmental 457(b) plan (exceptions apply), or to a 401(a) (service credit purchase) plan (exceptions apply) or to an IRA (must be at least age 59 ½ or separated from CSU employment). In-service 403(b) contract exchange to Fidelity.	Eligible rollover distribution to an IRA (Traditional or Roth), another employer's governmental 457(b), or 401(k), or 401(a), or 403(b) plan. May not roll from SavingsPlus to CSU 403(b) plan until separated from CSU service.	Eligible rollover distribution to an IRA (Traditional or Roth), or to another employer's 401(k), or 457(b) governmental plan, or 401(a), or 403(b) plan. May not roll from SavingsPlus to CSU 403(b) plan until separated from CSU service.
LOANS	Loans Available; restrictions apply.	Loans Available; restrictions apply.	Loans Available; restrictions apply.
HARDSHIP WITHDRAWLS	Hardship withdrawal for severe financial hardship. Contributions suspended for 6 months.	Hardship withdrawal for unforeseeable financial emergency. Contributions suspended for 6 months.	Hardship withdrawal for severe financial hardship. Contributions suspended for 6 months.
SURVIVING SPOUSE	Surviving spouse of participant may roll over distributions. Non-spousal beneficiary may rollover distributions to an inherited IRA.	Surviving spouse of participant may roll over distributions. Non-spousal beneficiary may rollover distributions to an inherited IRA.	Surviving spouse of participant may roll over distributions. Non-spousal beneficiary may rollover distributions to an inherited IRA.
DISTRIBUTIONS	At least age 55 and retired, or 59 ½ (regard-less of employment status) - receive plan pay-out without tax penalty.	Plan payout upon retirement or separation from State service without tax penalty (no age requirement).	At least age 55 and retired, or 59 ½ (regard-less of employment status) - receive plan pay-out without tax penalty.
REQUIRED MANDATORY DISTRIBUTIONS	At age 70 ½, IRS requires mandatory distributions, unless participant is still employed.	At age 70 ½, IRS requires mandatory distributions, unless participant is still employed.	At age 70 ½, IRS requires mandatory distributions, unless participant is still employed.
ONLINE INVESTMENT	Employees can manage contributions online at: NetBenefits.com/calstate	Employees can manage contributions online at: savingsplusnow.com	Employees can manage contributions online at: savingsplusnow.com

For more information about these plans please visit CSYou at: https://csyou.calstate.edu/Pages/default.aspx .

NOTES:

1. Maximum contribution limits for these plans are all interrelated. Please note: Participants may contribute to both a 403(b) and a 401(k) plan in the same tax year, however, combined contributions across both plans cannot exceed $18,000. 401(k) and 403(b) deferrals do not count against the 457(b) dollar limit and 457(b) deferrals do not count against the 401(k) and 403(b) dollar limit.
2. These statements are general comparisons only. For specific information refer to your tax advisor. For the Deferred Compensation and Thrift Plans, additional information is available from the CalHR Savings Plus Program (SPP) Office at (855) 616-4SPN(4776) or the Savings Plus Now Comparison Chart .

Revised: 04/06/2016

CALIFORNIA STATE UNIVERSITY 403(B) TAX SHELTERED ANNUITY PROGRAM
UNIVERSAL AVAILABILITY NOTICE

California State University (CSU) (the "employer") provides you with the opportunity to save for your retirement through the California State University 403(b) Tax Sheltered Annuity (TSA) Program (the "Plan"). CSU would like you to know more about how you can participate in the Plan. Fidelity Investment, the master administrator and sole record provider, provides a central database called Fidelity Netbenefits, which allows employees the ability to enroll in the program, direct contributions, view account balances, and review plan information. You can access Fidelity Netbenefits by going to: NetBenefits.com/calstate.

All TSA enrollments and deferral changes (stop, start, increase and/or decrease) are designated by employees via Fidelity Netbenefits. Whether you want to enroll in the Program, or you are already enrolled but wish to change the amount of your deferral, you can accomplish your goal by completing the online process via Fidelity Netbenefits. Additional information about the Program is located on the Fidelity Netbenefits website.

Eligibility

All employees of California State University (with the exception of certain student classifications), who receive compensation reportable on an IRS Form W-2, are eligible to participate in the 403(b) program, including rehired annuitants.

The program has a minimum contribution of $15 per month. You are eligible to make changes to your elective deferral on a monthly basis. The cutoff date to make changes in Fidelity Netbenefits is the fifth (5th) of each month, or the next business day if the fifth (5th) falls on a holiday or weekend.

Please take a moment to review the plan information within Fidelity Netbenefits, website before enrolling. Once you are enrolled, you can review and change the amount of your contributions and your investment allocations at any time. Please note that fund investment selections are now made directly through Fidelity Netbenefits. You can open a 403(b) account by accessing the Fidelity Netbenefits website. Generally, your investment allocations will take effect immediately.

Also, please be aware that the law limits the amount you may defer under this and other plans in any tax year. For 2016, please note the following:

- The limit is generally $18,000, although larger limits may apply if you are age 50 or older.
- Individuals who are age 50 or older, or will turn age 50 by the end of the 2016 calendar year, are eligible to contribute up to an additional $6,000 per year.
- In addition, employees with 15 or more years of service with CSU may be eligible to contribute an additional $3,000 per year, for up to five years, or a lifetime limit of $15,000.

Each participant only gets one limit for contributions to all 403(b) and 401(k) plans, so if you are also a participant in another 403(b) and/or 401(k) plan, your combined contributions to those plans and to the CSU 403(b) Tax Sheltered Annuity Program in 2016, are generally limited to $18,000. If you do participate in more than one 403(b) and/or 401(k) plan, you are responsible for tracking and reporting the amount of all of your contributions to the plans so that the total amount of all your contributions to all plans in which you participate do not exceed the limit. Note also that the sum of all of your contributions, and those of your employers, to all 403(b) and 401(k) plans that you participate in is generally limited to the lesser of $53,000 or 100% of your compensation in 2016.

You can also obtain additional information about the plan from your campus benefits office.

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SAVING MADE EASY

One Step at a Time

WHAT IS A TSA PROGRAM?

The California State University Tax-Sheltered Annuity (CSU TSA) Program is a voluntary 403(b) plan that allows eligible employees to save for retirement by investing monthly pretax contributions in tax-deferred accounts under Internal Revenue Code Section 403(b).
A TSA can help you save money on taxes now AND invest in your future at the same time!

WHY PARTICIPATE?

The sooner you start saving toward your retirement the better. The earlier you start, the more you benefit from compounding interest. Compounding happens over time as your money generates earnings, which are reinvested to generate MORE earnings.

HOW MUCH?

That depends on you. For 2016, the IRS allows you to invest up to $18,000 of your annual salary, but you can decide to invest as little as $15 per month. Plus, if you are or will be age 50 or older this year, you can invest up to $6,000 more per year. And, if you have been employed by the CSU for at least 15 years and didn't take full advantage of TSA contribution maximums over the course of your employment, you may be able to catch up and invest even more.

NetBenefits.com/calstate

Take a Step Toward Your Future with the CSU TSA Program.

SAVING MADE EASY

One Step at a Time

STEP 1:
GET ADDITIONAL INFORMATION.

You should feel comfortable with your decision to enroll in a TSA. If you need additional information, visit NetBenefits.com/calstate or your Benefits Office to obtain the contact information for the Fidelity Representative dedicated to your campus.

STEP 2:
DETERMINE THE MAXIMUM YOU CAN INVEST.

In 2016, you can defer up to $18,000 toward your TSA, and if you will be age 50 or older this year, you can defer another $6,000. In addition, if you have 15 years of CSU full-time employment and under-contributed over the course of your CSU employment, you may be able to defer an additional $3,000 per year for up to $15,000.

STEP 3:
DETERMINE HOW MUCH YOU WANT TO INVEST EACH MONTH.

STEP 4:
ENROLL (SET UP) YOUR TSA ACCOUNT.

Go to enrollonline.fidelity.com to create your CSU TSA account and setup a username and password. You will need to enter the New Plan ID: 50537.

1. Create a Username.
2. Create a Password.
   A strong password is one that is between 15 and 20 characters, has a mix of case sensitivity, numbers, letters, and special characters.

   Your password should *not* be personally identifiable information, such as your Social Security number, telephone number, or date of birth.
3. Create a Security Question.
   If you ever forget your password, you can reset it after Fidelity verifies your identity using your new or updated security question and answer.
4. New User Registration Confirmation.
   If you have other accounts you access via Fidelity.com, NetBenefits®, or eWorkplace®, your new log in information applies to these accounts, as well as to accessing your account by phone.

Note: *Email Confirmation — Notice of Recent Change or Inquiry* You may receive an email notice of a recent change or inquiry into your account username or password. This message is automatically generated when you set up or make changes to your login information.

Need Help?

If you have any questions, go online or call a Fidelity Representative using the contact information below:

- Fidelity (800-343-0860)
- Netbenefits.com/calstate

STEP 5:
CHOOSE YOUR DEFERRAL AND INVESTMENT OPTIONS.

Log in to NetBenefits at NetBenefits.com/calstate to update your deferral elections and investment options.

Before making your investment decisions, it is important that you become familiar with the various options in the TSA. Please consider all investment information before choosing your investments. For more detailed information regarding these investments, please visit NetBenefits.com/calstate. Under the *Plans & Investments* tab, select *Investment Options.*

STEP 6:
NAME YOUR BENEFICIARY.

Please make sure to assign beneficiaries to your TSA account. Once you have named your beneficiaries, be sure to review your choices regularly and update them after certain life events, such as marriage, divorce, the birth of a child, or a death in the family.

1. Log in to your account through NetBenefits.com/calstate.
2. From the home page, click *Profile,* then *Beneficiaries* in the *About You* section.
3. You will see sections for Primary Beneficiaries and Contingent Beneficiaries. A primary beneficiary is your first choice to receive the value of your retirement account. A contingent beneficiary is your second choice to receive the value of your retirement account if the primary beneficiaries are not living at the time of your death. To add one or more of either type of beneficiary, click the *Add a Primary Beneficiary* or *Add a Contingent Beneficiary* buttons.
4. Indicate whether you are married or not by clicking the *Edit* button in the Marital Status box.
5. You may enter a person, estate, organization or trust as a beneficiary. Depending on which you choose, you will be asked to provide additional information.

For a person:

- Full Name
- Address
- Relationship to You
- Social Security Number
- Date of Birth
- Gender

For an estate/organization/trust:

- Full Name
- Social Security Number/Tax ID
- Address
- Effective Date

Don't forget to click the *Save* button after entering information for each beneficiary, or click *Cancel* if you change your mind.

6. Click the *Save All* button in the *Review and save your choices* section.
7. Your beneficiary designations will become effective as soon as you complete the online designation process.

STEP 7:
REVIEW YOUR SAVINGS STRATEGY EACH YEAR TO ENSURE THAT YOU ARE REACHING YOUR RETIREMENT GOALS.

For more information on the CSU TSA Program, please visit NetBenefits.com/calstate.

Investing involves risk, including risk of loss.

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