EDUCATE

Catch-Up Contributions

S A V E M O N E Y A N D R E T I R E T O M O R R O W

Learn more about your 457(b) Deferred Compensation SMART Plan catch-up contribution limits

Why catch up?

If you are over age 50 or getting close to normal retirement age, you might feel a little behind on your retirement savings. Fortunately, the federal government makes it easier to catch up on your savings at a faster rate by providing two catch-up provisions: Age 50+ and Three-Year. Taking advantage of a catch-up option not only allows you to save at an accelerated rate, it also could lower your taxable income—and that means more money that could work for you!

Age 50+ Catch-Up

You may already know that in 2017 all SMART Plan participants can contribute a maximum of 100% of includible compensation to the Plan, not to exceed the IRS limit of $18,000. However, if you are age 50 or older during the 2017 calendar year, you can take advantage of the Age 50+ Catch-Up provision and contribute an additional $6,000 to the SMART Plan. Your date of birth will determine whether you qualify to use this option.

Three-Year Catch-Up

If you are in the three years *prior* to the year in which you reach your normal retirement age and have under-contributed in prior years, you may use the Three-Year Catch-Up provision. This allows you to contribute up to an additional $18,000 in 2017, amounting to a total possible maximum contribution of $36,000. In order to qualify for the Three-Year Catch-Up provision, you must have under-utilized contributions with the same employer from previous years.

2017 Catch-Up Options

Age 50+ Catch-Up	Three-Year Catch-Up
For participants age 50 and older during the 2017 calendar year	For participants within three years prior to normal retirement age
Allows you to contribute an additional $6,000	Allows you to contribute up to an additional $18,000
No application required	Complete a "457(b) Application for Catch-Up" form
Maximum total: $24,000	**Maximum total: $36,000**
Note: You cannot use both options in the same year.	

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How do I get more information on catch-up contributions?

You can obtain information regarding catch-up contribution provisions by calling the SMART Plan at **(877) 457-1900** and saying "representative" to speak with a SMART Plan representative during regular business hours, 9 a.m. to 8 p.m., Monday through Friday.[1]

Three-Year Catch-Up Contributions

To take advantage of the Three-Year Catch-Up in any calendar year, remember these important considerations:

Irrevocable Election – The Three-Year Catch-Up is a once-in-a-lifetime opportunity and can be utilized up to a maximum of three consecutive years before the year in which you reach your normal retirement age. Once you begin, you have three consecutive years to complete your catch-up contributions. *Example: You make your first catch-up contributions in year one. You decide to skip year two. You can resume in year three. Once the three-year period ends, you lose the ability to make Three-Year Catch-Up contributions for remaining under-utilized amounts.*

1. **Under-Utilized Amounts** – In order to qualify for the Three-Year Catch-Up provision, you must have under-utilized contributions with the same employer from previous years. *Example: If you were eligible to contribute $18,000 for the calendar year 2015 and $18,000 in 2016 but only contributed $10,000 in each year, you would be eligible to catch up on $16,000 in contributions.*

2. **Normal Retirement Age (NRA)** – For purposes of the Three-Year Catch-Up limitation, the NRA shall be age 70½ or such earlier age as selected by the participant. In selecting an alternate NRA, you may choose any age that is: (1) not earlier than the earliest age at which you have the right to retire and receive unreduced retirement benefits from your employer's basic pension plan; and (2) not later than the date that you reach age 70½.

3. **Catch-Up Contributions** – You are allowed to make catch-up contributions in the three calendar years prior to your NRA. *Example: If your NRA is 62, then you may make catch-up contributions in the years when you are age 59, 60 and 61. You cannot make catch-up contributions in the calendar year in which you reach your NRA***.**

4. **Deferring Accrued Sick and Vacation Pay Using the Three-Year Catch-Up** – Your NRA must be at least one year later than the year in which the accrued sick and vacation pay will be paid.

Example: If you plan to sever employment at age 66 and your accrued sick and vacation pay will be paid in January when you are 67, then your NRA year must be the year you turn 68 or older, but no later than age 70½.

May I use both catch-up options at the same time?

No. The Age 50+ Catch-Up provision and the Three-Year Catch-Up provision cannot be used in the same calendar year. If you are eligible for both catch-up options, you may use the one offering the higher benefit. In addition, you may not use the Three-Year Catch-Up option in the year you reach your NRA.

Find out if you are eligible for Three-Year Catch-Up:

- Will you be eligible to retire at the end of the third year of Three-Year Catch-Up? For public employees in Massachusetts, this typically means that you have reached 20 years of public service or 10 years of public service and are at least 55 years old.*
- The Three-Year Catch-Up program must be used before the year in which you reach age 70½.
- Is this the first time using Three-Year Catch-Up? If you have used this provision in the past with any employer, you are ineligible to use it again.
- Do you have enough under-utilized contributions within your deferral history? In 2017, you need at least $54,000 of under-utilized contributions from previous years to fully contribute for all three years of the Three-Year Catch-Up program. Under-utilized contributions occur when you defer less than the maximum allowable limit in a given tax year.
- Please note that your contribution limit will not automatically increase if the maximum allowable amount is increased. Additional paperwork must be submitted to the local SMART Plan office in order to increase your contribution to the Plan.
- Have you submitted your completed 457(b) Application for Catch-Up form to the local SMART Plan office? Please write the new PER PAYCHECK amount you would like deducted from your pay on this form, and the SMART Plan office will notify your payroll office. Please note that your payroll contributions will not be adjusted without this direction from you.

* This rule only applies to employees hired before April 1, 2012.

1 Representatives of Empower Retirement do not offer or provide investment, fiduciary, financial, legal or tax advice, or act in a fiduciary capacity, for any client unless explicitly described in writing. Please consult with your investment advisor, attorney and/or tax advisor as needed.

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