Retirement Plan Information Resources

Download the following publications at www.irs.gov/retirement, or order a free copy through the IRS by dialing (800) 829-3676.

- Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans) for Employees of Public Schools and Certain Tax-Exempt Organizations*
- Publication 575, *Pension and Annuity Income*
- Publication 590, *Individual Retirement Arrangements (IRAs)*
- Publication 963, *Federal-State Reference Guide* (electronic availability only)
- Publication 4224, *Retirement Plan Correction Programs*
- Publication 4222, *401(k) Plans for Small Businesses*
- Publication 4333, *SEP Retirement Plans for Small Businesses*
- Publication 4334, *SIMPLE IRA Plans for Small Businesses*
- Publication 4587, *Payroll Deduction IRAs for Small Businesses*
- Publication 4674, *Automatic Enrollment 401(k) Plans for Small Businesses*

For assistance or information on retirement plans, see:

- Plan Sponsor/Employer at www.irs.gov/retirement
- Retirement Plans Navigator at www.retirementplans.irs.gov

A Web guide for choosing a retirement plan, maintaining it and correcting plan errors.

Tax Exempt and Government Entities
Customer Account Services
(877) 829-5500

IRS

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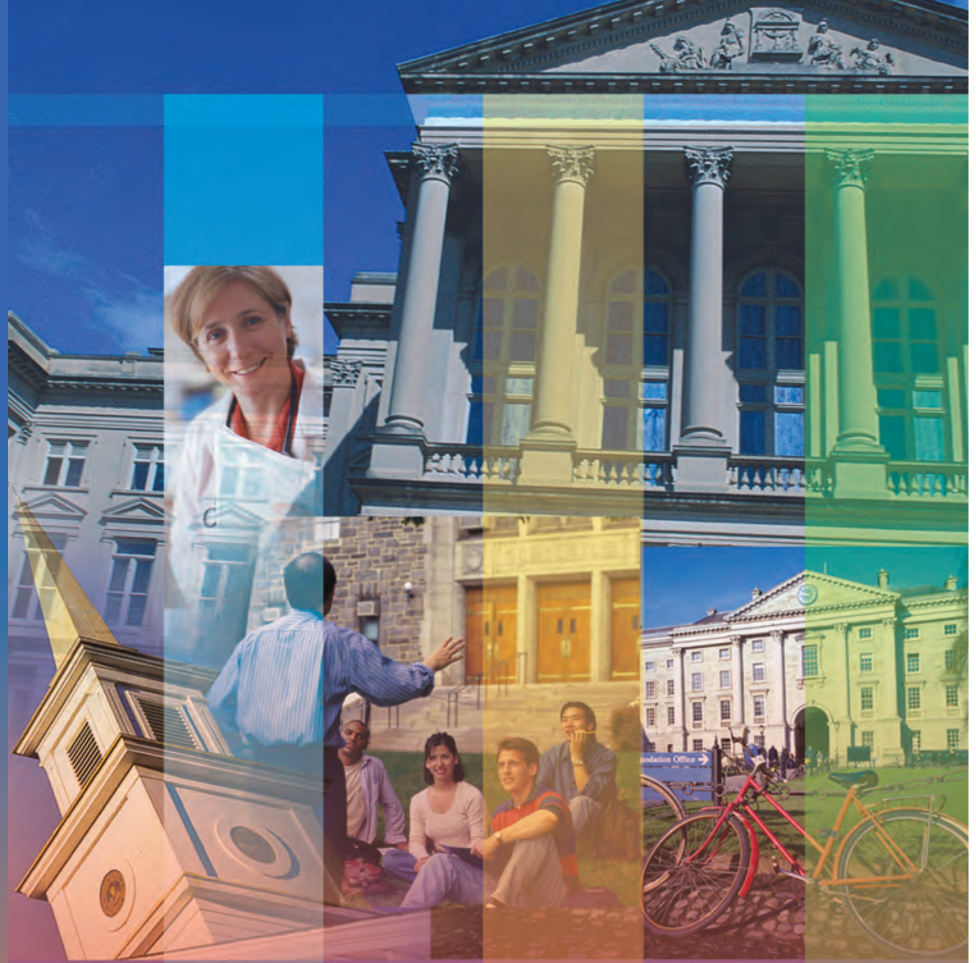
Department of the Treasury Internal Revenue Service
www.irs.gov

Internal Revenue Service
Tax Exempt and Government Entities
Employee Plans

Choose a retirement plan

for employees of tax-exempt and government entities

(schools, hospitals, churches, charities)



- **what is the maximum annual contribution?**
- **which plans offer catch-up contributions?**
- **what are the minimum employee coverage requirements?**
- **when do distributions begin?**

For answers to these questions and more, see the plan feature comparison chart highlighting eight different types of retirement plans inside. The chart shows the latest tax laws specific to key issues of the various plans.

Experts estimate that in the American workforce as a whole, workers will need 70 to 90 percent of their pre-retirement income to maintain their current standard of living when they stop working. Lower income earners may need more than 90 percent. Among these workers 25-64 years of age, a little more than half are participants in an employer-sponsored retirement plan.

Choose a Retirement Plan

The most basic retirement plan is an Individual Retirement Arrangement (IRA). Private-sector employers (for-profit and not-for-profit) and government employers can offer savings plans that use IRAs to hold savings contributions.

IRA-based plans include Payroll Deduction IRAs, Simplified Employee Pension plans (SEPs), and Savings Incentive Match Plan for Employees of Small Employers (SIMPLE IRA plans). In these plans, and also with 401(k), 403(b) and 457(b) plans, the ultimate retirement benefits *depend on the dollar amount accumulated in the employee's account.*

A defined benefit plan *promises a specific benefit at retirement — $1,000 a month, for example.* The amount of this benefit is often based on a set percentage of pay multiplied by the number of years the employee worked for the employer offering the plan.

Advantages of Having a Retirement Plan

By starting a retirement savings plan, you will help your employees save for the future, and you will help secure your own retirement. Retirement plans may also help you attract and retain better qualified employees.

Tax law changes and tax advantages, as follows, have made it more appealing than ever to establish and contribute to a retirement plan.

LAW CHANGES

- Higher contribution limits so that employees and employers can contribute larger amounts to retirement plans.
- Catch-up rules that allow employees age 50 and over to set aside additional amounts.
- Increased portability of retirement money.

TAX ADVANTAGES

- In some plans, employees can invest a certain amount of their income before it is taxed.
- A tax credit is available for eligible contributions to a retirement plan, known as the Retirement Savings Contributions Credit.This credit could reduce federal income tax up to 50 cents on the dollar.
- Money in the retirement program grows tax-free.

Retirement Plan Correction Programs

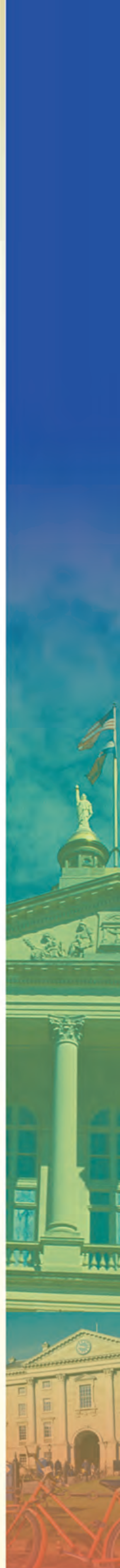
The IRS has programs structured to provide financial incentives for finding and correcting mistakes earlier rather than later. In fact, many mistakes can be corrected easily, without penalty and without notifying the IRS.

The IRS system of retirement plan correction programs, the Employee Plans Compliance Resolution System (EPCRS), helps business owners protect participant benefits and keep their plans within the law. EPCRS includes:

Self-Correction Program (SCP) — Find and correct a mistake before an audit.

Voluntary Correction Program (VCP) — Correct your plan's mistakes with help from the IRS.

Audit Closing Agreement Program (Audit CAP) — If the IRS audits your plan and finds an error, you can still correct the problem. However the fee will be larger than if you had found and fixed the error yourself, or brought it in voluntarily.



PLAN FEATURE COMPARISON CHART – easy, quick-glance format to help you pick the plan that's good for you and your employees!

(for other years' dollar limitations, go to www.irs.gov/retirement and select "Cost-of-Living Increases")

PLAN	KEY ADVANTAGE	SPONSOR/ELIGIBLE EMPLOYER	EMPLOYER'S ROLE	CONTRIBUTORS TO THE PLAN	MAXIMUM ANNUAL CONTRIBUTION (per participant) See www.irs.gov/retirement for annual updates	CATCH-UP CONTRIBUTIONS	MINIMUM EMPLOYEE COVERAGE REQUIREMENT	WITHDRAWALS, LOANS, AND DISTRIBUTIONS	ROLLOVER/TRANSFERS	VESTING	EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM (EPCRS)
Payroll Deduction IRA	- easy to set up and maintain	- any employer	- arrange for employees to make payroll deduction contributions - transmit contributions for employees to IRA - no annual filing requirement	- employee can decide how much to contribute	employee: - $5,000 for 2011	age 50 or over— additional employee contribution - $1,000 for 2011	- should be made available to all employees	- withdrawals permitted any time subject to federal income taxes - subject to 10% additional tax if before age 59½ - must start receiving distributions by April 1 of the year following attainment of age 70½ (special rules apply to Roth IRAs) - loans are not permitted from IRAs	- rollovers permitted from one IRA to another and to an eligible retirement plan (special rules apply to Roth IRAs)	- contributions are immediately 100% vested	no
SEP	- easy to set up and maintain	- any employer	- set up plan— employer may use Form 5305-SEP - transmit contributions for employees to SEP-IRA - generally, no annual filing requirement - bank or financial institution handles most of the paperwork	- employer can decide whether to make contributions year-to-year - only employer contributes	- up to 25% of compensation but no more than $49,000 for 2011	N/A	- must be offered to all employees who are at least 21 years of age, employed by the employer for 3 of the last 5 years, and had compensation of at least $550 for 2011	- withdrawals permitted any time subject to federal income taxes - subject to 10% additional tax if before age 59½ - must start receiving distributions by April 1 of the year following attainment of age 70½ - loans are not permitted from SEPs	- rollovers permitted from one IRA to another and to an eligible retirement plan	- contributions are immediately 100% vested	yes
SIMPLE IRA Plan	- salary reduction plan with little administrative paperwork	- employer with 100 or fewer employees that does not currently maintain another plan	- set up plan— employer may use Form 5304-SIMPLE or Form 5305-SIMPLE - transmit contributions for employees to SIMPLE IRA - no annual filing requirement - bank or financial institution handles most of the paperwork	- employee can decide how much to contribute - employer must make matching contributions or contribute 2% of each eligible employee's compensation	employee: - $11,500 in 2011 employer: - either match employee contributions 100% of first 3% of compensation (can be reduced to as low as 1% in any 2 of 5 years); or - contribute 2% of each eligible employee's compensation	age 50 or over— additional employee contribution - $2,500 in 2011	- must be offered to all employees who have compensation of at least $5,000 in any prior 2 years and are reasonably expected to earn at least $5,000 in the current year	- withdrawals permitted any time subject to federal income taxes - subject to 10% additional tax if before age 59½ (25% if less than 2 years of participation) - must start receiving distributions by April 1 of the year following attainment of age 70½ - loans are not permitted from SIMPLE IRA plans	- rollovers permitted from one SIMPLE IRA to another SIMPLE IRA any time - however, a rollover from a SIMPLE IRA to a non-SIMPLE IRA or to an eligible retirement plan can be made tax-free only after a 2-year participation in the SIMPLE IRA plan	- employer and employee contributions are immediately 100% vested	yes
401(k)	- permits high level of salary deferrals by employees - may include designated Roth program	- any non-government employer - governments, only if plan was established prior to May 1986	- arrange for employees to make elective deferral contributions and transmit contributions - annual filing of Form 5500 is required (unless government entity) - may require annual nondiscrimination testing to ensure plan does not discriminate in favor of highly compensated employees - no model form to establish this plan	- employee elective deferral contributions - employer contributions are permissible but not required	employee elective deferrals: - $16,500 in 2011 employer & employee— lesser of $49,000 (2011) or 100% of compensation subject to nondiscrimination testing	age 50 and over—additional elective deferrals - $5,500 in 2011	- must pass minimum coverage test	- withdrawals permitted after a distributable event occurs (e.g., retirement, death, disability, severance from employment) - must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½ - plan may permit loans and hardship withdrawals - early withdrawals subject to 10% additional tax	- participant's benefit can be rolled over to another qualified plan that accepts rollovers or an IRA	- employee elective deferral contributions are immediately 100% vested - employer contributions may vest over time according to plan terms	yes
403(b)	- permits high level of salary deferrals by employees - may include designated Roth program	- public education employers - 501(c)(3) organizations	- arrange for employees to make elective deferral contributions and transmit contributions - may require Form 5500 filing if employer contributions are made (unless government entity) - no model form to establish this plan	- employee elective deferral contributions - employer contributions	employee elective deferrals: - $16,500 in 2011 employer & employee— lesser of $49,000 (2011) or 100% of includible compensation age 50 or over— additional elective deferrals– $5,500 (2011)	**special 403(b) catch-up:** - selected employees - employee must have 15 years of service - limited to least of: 1) $3,000 2) $15,000 less previously excluded special catch-ups, and 3) $5,000 multiplied by years of service minus previously excluded deferrals	**employee elective deferral contributions:** - all eligible employees may elect to have a contribution of more than $200 by salary reduction **other contributions:** - must pass minimum coverage test (except government entities)	- withdrawals permitted after a distributable event occurs (e.g., retirement, death, disability, severance from employment) - must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½ - plan may permit loans and hardship withdrawals - early withdrawals subject to 10% additional tax	- rollovers permitted to an eligible retirement plan - transfers permitted from one 403(b) to another 403(b) - purchase permissive service (government plans)	- employee elective deferral contributions are immediately 100% vested - employer contributions may, in limited circumstances, vest over time according to plan terms	yes
457(b) Governmental	- permits high level of salary deferrals by employees - may include designated Roth program (effective January 1, 2011)	- state and local governments	- arrange for employees to make salary reduction contributions - no model form to establish this plan	- employee salary reduction contributions - employer contributions	employer & employee: - $16,500 for 2011 age 50 or over— additional salary reduction contribution– $5,500 (2011)	**special 457 catch-up:** - 3 years prior to the year of normal retirement age - limited to lesser of: 1) $33,000 (twice the basic annual limit) for 2011, or 2) the basic annual limit plus underutilized basic annual limit in prior years **(Only Allowed If Not Utilizing the Age 50 or Over Catch-Up)**	- common-law employees - independent contractors - does not need to pass a minimum coverage test	- withdrawals permitted after severance from employment - must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½ - plan may permit loans and distribution for unforeseen emergency or small inactive accounts	- rollovers permitted to an eligible retirement plan - transfers permitted from one government 457(b) to another government 457(b) - purchase permissive service	- employee salary reduction contributions are immediately 100% vested - employer contributions may vest over time according to plan terms	- no - special 180-day rule to correct - submission accepted on a provisional basis outside EPCRS
457(b) Tax-Exempt Organization (Non-Church)	- permits high level of salary deferrals by employees	- any tax-exempt organization	- arrange for employees to make salary reduction contributions - no model form to establish this plan	- employee salary reduction contributions - employer contributions	employer & employee: - $16,500 for 2011 no age 50 or over additional salary reduction contribution	**special 457 catch-up:** - 3 years prior to the year of normal retirement age - limited to lesser of: 1) $33,000 (twice the basic annual limit) for 2011, or 2) the basic annual limit plus underutilized basic annual limit in prior years	- selected group of management or highly compensated employees - independent contractors - does not need to pass a minimum coverage test	- withdrawals permitted after severance from employment - must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½ - plan may not permit loans - special rules apply to independent contractors	- no rollovers permitted - post-severance transfers permitted from one tax-exempt 457(b) to another tax-exempt 457(b)	- employee and employer contributions must be subject to claims of creditors	no
Defined Benefit	- provides a fixed, pre-established benefit for employees	- any employer	- annual filing of Form 5500 required (unless government entity) - an actuary must determine annual contributions - no model form to establish this plan	- primarily funded by employer	- actuarially determined contribution - plan benefits are subject to nondiscrimination testing	N/A	- must pass minimum coverage test	- payment of benefits after a distributable event occurs (e.g., retirement, death, disability, severance from employment) - must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½ - loans permitted - early withdrawals subject to 10% additional tax	- generally, participant's benefit can be rolled over to another qualified plan that accepts rollovers or an IRA	- may vest over time according to plan terms	yes