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IRC 457(b) Deferred Compensation Plans

Plans of deferred compensation described in IRC section 457 are available for certain state and local governments and non-governmental entities tax exempt under IRC 501. They can be either eligible plans under IRC 457(b) or ineligible plans under IRC 457(f). Plans eligible under 457(b) allow employees of sponsoring organizations to defer income taxation on retirement savings into future years. Ineligible plans may trigger different tax treatment under IRC 457(f).

General Questions

Who can establish a 457(b) plan?

The organization must be a state or local government or a tax-exempt organization under IRC 501(c).

How do 457(b) plans work?

Employers or employees through salary reductions contribute up to the IRC 402(g) limit (\$17,500 in 2013 and 2014) on behalf of participants under the plan.

What are the advantages of participating in a 457(b) plan?

There are significant tax advantages for participants in a 457(b) plan:

- Contributions to a 457(b) plan are tax-deferred.
- Earnings on the retirement money are tax-deferred.

Can a 457(b) plan include designated Roth accounts?

A governmental 457(b) plan may be amended to allow designated Roth contributions and in-plan rollovers to designated Roth accounts starting in 2011.

Publications:

[Pub. 4484](#), *Choose a retirement plan for employees of tax-exempt and government entities (schools, hospitals, churches, charities)*

Resources:

Guidance:

[457 Final Regulations \(T.D. 9075\)](#)

Issued July 11, 2003 with a retroactive effective date of January 01, 2002, these regulations encompass the changes made by legislation from the two decades.

[Rev. Proc. 2004-56](#), 457(b) Model Language

Related Guidance:

[Notice 2007-7](#), Pension Protection Act Guidance

[Final 415 Regulations](#)

[Notice 2005-5](#), Automatic Rollover

[Rev. Rul. 2004-57](#), Union Administered 457 Plan

[Rev Rul 2004-12](#), Rollovers to Eligible Retirement Plans

[Notice 2003-20](#), 457(b) Reporting Requirements

[Rev Rul 2001-51](#), EGTRRA Changes to IRC 415 Requirements

[Announcement 2001-106](#), Tax Credit for Retirement Plan Contributions for Low-Income Savers

[Notice 2001-56](#), EGTRRA Changes to Compensation Limits

[IRC 501\(c\)\(3\)](#)

Prior Law Guidance

EP Exam will be reviewing 457(b) plans under pre-regulation guidance and interpretation for years before 2008.

Additional Resources:

[Retirement Plans FAQs Regarding](#)

[Automatic Contribution Arrangements](#)

[\(Automatic Enrollment Arrangements\)](#)

[Employee Plans News - December 17,](#)

[2010 - Unforseeable Emergency](#)

[Distributions from 457\(b\) Plans](#)

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