INFORMATIONAL CIRCULAR NO.: 22-P-008 *Supersedes 21-P-009*

DATE: November 30, 2021

SUBJECT: Deferred Compensation and Tax-Sheltered Annuity Limits for Calendar Year 2022

EFFECTIVE DATE: January 1, 2022

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SUMMARY: 2022 Deferred Compensation and Tax-Sheltered Annuity Limits

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Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the annual Deferred Compensation and Tax-Sheltered Annuity (TSA) limits will change effective January 1, 2022 as follows:

457(b) Deferred Compensation:

The Deferred Compensation (Benefit Plan 457DEF) annual contribution limit increases to $20,500 (up from $19,500 in 2021) or 100% of includible compensation.

The Deferred Compensation special catch-up (Benefit Plan 457DER) limit increases to $41,000 (up from $39,000 in 2021). The special catch-up limit is twice the general deferral limit and is only available to employees who are **within three years** of normal retirement age.

The Deferred Compensation catch-up provision for participants who are 50 years of age or older (Benefit Plan 457DEC) annual contribution limit remains at $6,500 for 2022 making the total $27,000. The provision for 2021 was $6,500 making the total for 2021 $26,000.

Please note that the two different catch-up provisions cannot be used concurrently.

Tax Sheltered Annuities (TSA):

The limit on annual contributions to a TSA for 2022 is the lesser of $61,000 or 100% of compensation, increased from $58,000 for 2021.

The annual compensation limit used for calculating mandatory employee and employer contributions is increased from $290,000 (for 2021) to $305,000 (for 2022). The $305,000 applies to the mandatory retirement plans for the School for the Blind, School for the Deaf, and Kansas Board of Regents (for employees whose participation began after 1995). For School for the Blind and School for the Deaf employees, the maximum contribution that can be made to the plan is $30,500 ($305,000 maximum annual compensation multiplied by 10%, 5% employer contribution and 5% employee contribution). For Board of Regents employees (participants after 1995), the maximum contribution that can be made to the plan is $42,700 ($305,000 maximum annual compensation multiplied by 14%, 8.5% employer contribution and 5.5%

employee contribution).

For employees participating in the Kansas Board of Regents' mandatory plan prior to 1996, participants are grandfathered and use the annual compensation limit under Internal Revenue Code Section 401(a) (17). The 401(a) (17) limit is increased from $430,000 (for 2021) to $450,000 (for 2022). However, **participants should note their maximum annual compensation limit will be $435,714.29**, since the $435,714.29 annual compensation multiplied by the 14% contribution rate (8.5% for the employer and 5.5% for the employee), results in $61,000, which is the limit on annual contributions.

The limit on elective deferrals (Voluntary Tax-Sheltered Annuities) increases to $20,500 (up from $19,500 in 2021). The age 50 or older catch-up provision remains unchanged at $6,500 for 2022. Therefore, an employee age 50 or over **is eligible** to increase his/her elective deferral and limit on an annual contribution by $6,500. Additionally, there is a 15-year rule which **may allow** employees with 15 or more years of service to increase the elective deferral limit by an additional $3,000. Employees may use both the age 50 catch-up provision and 15-year rule concurrently. IRS regulations issued in 2003 state that when employees are eligible for both the 15-year rule and the age 50 catch-up provision, the limit on elective deferrals ($20,500 for 2022) is applied first, then the 15-year rule, and finally the age 50 catch-up provision.

Please note that the total of nonelective deferrals (the mandatory retirement plans) and elective deferral (VTSA) cannot exceed the limit on annual contributions plus the age 50 or older catch-up provision amount (if applicable).

Regents' institutions are reminded that they are responsible for applying the maximum VTSA formulas for their employees. Please note that this circular only provides a summary of the law in this area. Due to the complexity of the legislation and the unique circumstances of each employee, Regents' institutions are strongly encouraged to contact the 403(b) carriers to aid in determining limits in those cases which are outside the norm (the employee is near the limit on annual contributions, the employee is near the elective deferral limit, the employee wants to use the age 50 catch-up provision, or the employee wants to use the 15-year rule).

Finally, the EGTRRA Act of 2001 repealed the coordination requirements for employees who participate in both a 457(b) Deferred Compensation Plans and 403(b) Tax Sheltered Annuity plans. Employees eligible for both plans continue to be able to defer the full amount to both plans.

JG: SGZ:ewb