



Tax Exempt and Government Entities

EMPLOYEE PLANS



Plan Feature Comparison Chart

Choose a Retirement Plan

n What is the maximum annual contribution?

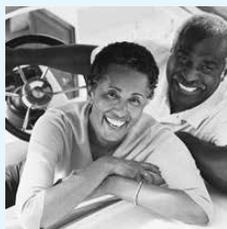
n Which plans offer catch-up contributions?

n What are the minimum employee coverage requirements?

n When do distributions begin?

n Plans for employees of tax-exempt and government entities (schools, hospitals, churches, charities)

n Highlights of eight types of retirement plans — noting latest tax laws specific to each plan





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.



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. Offering a retirement plan may also help you attract and retain better qualified employees.

Tax advantages have made it more appealing than ever to establish and contribute to a retirement plan.

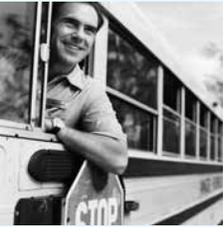
Tax Advantages:

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

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.

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 — Find and correct a mistake before an audit.

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

Audit Closing Agreement Program — 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

Starting with the brief summary table below, find the plans that fit you and your employees best. Then click on the plan tabs to view and compare the complete details on each plan.

Sponsor/ Eligible Employer	Key Advantage	Plans to Consider
<ul style="list-style-type: none"> n Any employer 	<ul style="list-style-type: none"> n easy to set up and maintain 	<p>Payroll Deduction IRA</p> <p>LEARN MORE</p>
<ul style="list-style-type: none"> n Any employer 	<ul style="list-style-type: none"> n easy to set up and maintain 	<p>SEP</p> <p>LEARN MORE</p>
<ul style="list-style-type: none"> n Employers with 100 or fewer employees that do not currently maintain another plan 	<ul style="list-style-type: none"> n salary reduction plan with little administrative paperwork 	<p>SIMPLE IRA Plan</p> <p>LEARN MORE</p>
<ul style="list-style-type: none"> n Any non-government employer n Governments, only if plan was established prior to May 1986 	<ul style="list-style-type: none"> n permits high level of salary deferrals by employees n may include designated Roth program 	<p>401(k)</p> <p>LEARN MORE</p>
<ul style="list-style-type: none"> n Public education employers n 501(c)(3) organizations 	<ul style="list-style-type: none"> n permits high level of salary deferrals by employees n may include designated Roth program 	<p>403(b)</p> <p>LEARN MORE</p>
<ul style="list-style-type: none"> n State and local governments 	<ul style="list-style-type: none"> n permits high level of salary deferrals by employees n may include designated Roth program 	<p>457(b) Governmental</p> <p>LEARN MORE</p>
<ul style="list-style-type: none"> n Any tax-exempt organization 	<ul style="list-style-type: none"> n permits high level of salary deferrals by employees 	<p>457(b) Tax-Exempt Organization (Non-Church)</p> <p>LEARN MORE</p>
<ul style="list-style-type: none"> n Any employer 	<ul style="list-style-type: none"> n provides a fixed, pre-established benefit for employees 	<p>Defined Benefit</p> <p>LEARN MORE</p>

Payroll Deduction IRA

Sponsor/Eligible Employer n any employer

Key Advantage n easy to set up and maintain

Employer's Role

- n arrange for employees to make payroll deduction contributions
- n transmit contributions for employees to IRA
- n no annual filing requirement

Contributors to the Plan n employee can decide how much to contribute

Maximum Annual Contribution*
(per participant) n employee: \$5,500 for 2015

Catch-Up Contributions* n age 50 or over— additional employee contribution - \$1,000 for 2015

Minimum Employee Coverage Requirement n should be made available to all employees

Withdrawals, Loans, and Distributions

- n withdrawals permitted any time subject to federal income taxes
- n subject to 10% additional tax if before age 59½
- n must start receiving distributions by April 1 of the year following attainment of age 70½ (special rules apply to Roth IRAs)
- n loans are not permitted from IRAs

Rollovers/Transfers n rollovers permitted from one IRA to another and to an eligible retirement plan (special rules apply to Roth IRAs)

Vesting n contributions are immediately 100% vested

Employee Plans Compliance Resolution System (EPCRS) n no

* See www.irs.gov/retirement for annual updates

Sponsor/Eligible Employer	<ul style="list-style-type: none"> n any employer
Key Advantage	<ul style="list-style-type: none"> n easy to set up and maintain
Employer's Role	<ul style="list-style-type: none"> n set up plan— employer may use Form 5305-SEP n transmit contributions for employees to SEP-IRA n generally, no annual filing requirement n bank or financial institution handles most of the paperwork
Contributors to the Plan	<ul style="list-style-type: none"> n employer can decide whether to make contributions year-to-year n only employer contributes
Maximum Annual Contribution* (per participant)	<ul style="list-style-type: none"> n up to 25% of compensation but no more than \$53,000 for 2015
Catch-Up Contributions	<ul style="list-style-type: none"> n N/A
Minimum Employee Coverage Requirement	<ul style="list-style-type: none"> n 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 \$600 for 2015
Withdrawals, Loans, and Distributions	<ul style="list-style-type: none"> n withdrawals permitted any time subject to federal income taxes n subject to 10% additional tax if before age 59½ n must start receiving distributions by April 1 of the year following attainment of age 70½ n loans are not permitted from SEP- IRAs
Rollovers/Transfers	<ul style="list-style-type: none"> n rollovers permitted from one IRA to another and to an eligible retirement plan
Vesting	<ul style="list-style-type: none"> n contributions are immediately 100% vested
Employee Plans Compliance Resolution System (EPCRS)	<ul style="list-style-type: none"> n yes

* See www.irs.gov/retirement for annual updates

SIMPLE IRA Plan

Sponsor/Eligible Employer	<ul style="list-style-type: none">n employer with 100 or fewer employees that does not currently maintain another plan
Key Advantage	<ul style="list-style-type: none">n salary reduction plan with little administrative paperwork
Employer's Role	<ul style="list-style-type: none">n set up plan — employer may use Form 5304-SIMPLE or Form 5305-SIMPLEn transmit contributions for employees to SIMPLE IRAn no annual filing requirementn bank or financial institution handles most of the paperwork
Contributors to the Plan	<ul style="list-style-type: none">n employee can decide how much to contributen employer must make matching contributions or contribute 2% of each eligible employee's compensation
Maximum Annual Contribution* (per participant)	<ul style="list-style-type: none">n employee:<ul style="list-style-type: none">- \$12,500 in 2015n employer:<ul style="list-style-type: none">- 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
Catch-Up Contributions*	<ul style="list-style-type: none">n age 50 or over— additional employee contribution - \$3,000 in 2015
Minimum Employee Coverage Requirement	<ul style="list-style-type: none">n 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, Loans, and Distributions	<ul style="list-style-type: none">n withdrawals permitted any time subject to federal income taxesn subject to 10% additional tax if before age 59½ (25% if less than 2 years of participation)n must start receiving distributions by April 1 of the year following attainment of age 70½n loans are not permitted from SIMPLE IRA plans
Rollovers/Transfers	<ul style="list-style-type: none">n rollovers permitted from one SIMPLE IRA to another SIMPLE IRA any timen 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
Vesting	<ul style="list-style-type: none">n employer and employee contributions are immediately 100% vested
Employee Plans Compliance Resolution System (EPCRS)	<ul style="list-style-type: none">n yes

* See www.irs.gov/retirement for annual updates

Sponsor/Eligible Employer	<ul style="list-style-type: none"> n any non-government employer n governments, only if plan was established prior to May 1986
Key Advantage	<ul style="list-style-type: none"> n permits high level of salary deferrals by employees n may include designated Roth program
Employer's Role	<ul style="list-style-type: none"> n arrange for employees to make elective deferral contributions and transmit contributions n annual filing of Form 5500 is required (unless government entity) n may require annual nondiscrimination testing to ensure that plan does not discriminate in favor of highly compensated employees n no model form to establish this plan
Contributors to the Plan	<ul style="list-style-type: none"> n employee elective deferral contributions n employer contributions are permissible but not required
Maximum Annual Contribution* <small>(per participant)</small>	<ul style="list-style-type: none"> n employee elective deferrals: <ul style="list-style-type: none"> - \$18,000 in 2015 n employer & employee: <ul style="list-style-type: none"> - lesser of \$53,000 (2015) or 100% of compensation, subject to nondiscrimination testing
Catch-Up Contributions*	<ul style="list-style-type: none"> n age 50 or over—additional elective deferrals - \$6,000 in 2015
Minimum Employee Coverage Requirement	<ul style="list-style-type: none"> n must pass minimum coverage test
Withdrawals, Loans, and Distributions	<ul style="list-style-type: none"> n withdrawals permitted after a distributable event occurs (e.g., retirement, death, disability, severance from employment) n must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½ n plan may permit loans and hardship withdrawals n early withdrawals subject to 10% additional tax
Rollovers/Transfers	<ul style="list-style-type: none"> n rollovers permitted to an eligible retirement plan or IRA
Vesting	<ul style="list-style-type: none"> n employee elective deferral contributions are immediately 100% vested n employer contributions may vest over time according to plan terms
Employee Plans Compliance Resolution System (EPCRS)	<ul style="list-style-type: none"> n yes

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Sponsor/Eligible Employer	<ul style="list-style-type: none"> n public education employers n 501(c)(3) organizations
Key Advantage	<ul style="list-style-type: none"> n permits high level of salary deferrals by employees n may include designated Roth program
Employer's Role	<ul style="list-style-type: none"> n arrange for employees to make elective deferral contributions and transmit contributions n may require Form 5500 filing if employer contributions are made (unless government entity) n no model form to establish this plan
Contributors to the Plan	<ul style="list-style-type: none"> n employee elective deferral contributions n employer contributions are permissible but not required
Maximum Annual Contribution* (per participant)	<ul style="list-style-type: none"> n employee elective deferrals - \$18,000 in 2015 n employer & employee - lesser of \$53,000 (2015) or 100% of includible compensation n age 50 or over— additional elective deferrals - \$6,000 (2015)
Catch-Up Contributions*	<p>Special 403(b) catch-up:</p> <ul style="list-style-type: none"> n selected employers n employee must have 15 years of service n 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
Minimum Employee Coverage Requirement	<ul style="list-style-type: none"> n employee elective deferral contributions: <ul style="list-style-type: none"> - all eligible employees may elect to have a contribution of more than \$200 by salary reduction n other contributions: <ul style="list-style-type: none"> - must pass minimum coverage test (except government entities)
Withdrawals, Loans, and Distributions	<ul style="list-style-type: none"> n withdrawals permitted after a distributable event occurs (e.g., retirement, death, disability, severance from employment) n must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½ n plan may permit loans and hardship withdrawals n early withdrawals subject to 10% additional tax
Rollovers/Transfers	<ul style="list-style-type: none"> n rollovers permitted to an eligible retirement plan n transfers permitted from one 403(b) to another 403(b) n purchase permissive service (government plans)
Vesting	<ul style="list-style-type: none"> n employee elective deferral contributions are immediately 100% vested n employer contributions may vest over time according to plan terms
Employee Plans Compliance Resolution System (EPCRS)	<ul style="list-style-type: none"> n yes

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457(b) Governmental

Sponsor/Eligible Employer	<ul style="list-style-type: none">n state and local governments
Key Advantage	<ul style="list-style-type: none">n permits high level of salary deferrals by employeesn may include designated Roth program
Employer's Role	<ul style="list-style-type: none">n arrange for employees to make salary reduction contributionsn no model form to establish this plan
Contributors to the Plan	<ul style="list-style-type: none">n employee salary reduction contributionsn employer contributions are permissible but not required
Maximum Annual Contribution* (per participant)	<ul style="list-style-type: none">n employer & employee:<ul style="list-style-type: none">- \$18,000 in 2015- age 50 or over— additional salary reduction contribution - \$6,000 (2015)
Catch-Up Contributions*	<p>Special 457 catch-up:</p> <ul style="list-style-type: none">n 3 years prior to the year of normal retirement agen limited to lesser of:<ol style="list-style-type: none">1) \$36,000 (twice the basic annual limit) in 2015, or2) the basic annual limit plus underutilized basic annual limit in prior years (only allowed if not using the age 50 or over catch-up)
Minimum Employee Coverage Requirement	<ul style="list-style-type: none">n common-law employeesn independent contractorsn does not need to pass a minimum coverage test
Withdrawals, Loans, and Distributions	<ul style="list-style-type: none">n withdrawals permitted after severance from employmentn must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½n plan may permit loans and distribution for unforeseen emergency or small inactive accounts
Rollovers/Transfers	<ul style="list-style-type: none">n rollovers permitted to an eligible retirement plann transfers permitted from one government 457(b) to another government 457(b)n purchase permissive service
Vesting	<ul style="list-style-type: none">n employee salary reduction contributions are immediately 100% vestedn employer contributions may vest over time according to plan terms
Employee Plans Compliance Resolution System (EPCRS)	<ul style="list-style-type: none">n non special 180-day rule to correctn submission accepted on a provisional basis outside EPCRS

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457(b) Tax-Exempt Organization (Non-Church)

Sponsor/Eligible Employer	<ul style="list-style-type: none">n any tax-exempt organization
Key Advantage	<ul style="list-style-type: none">n permits high level of salary deferrals by employees
Employer's Role	<ul style="list-style-type: none">n arrange for employees to make salary reduction contributionsn no model form to establish this plan
Contributors to the Plan	<ul style="list-style-type: none">n employee salary reduction contributionsn employer contributions are permissible but not required
Maximum Annual Contribution* (per participant)	<ul style="list-style-type: none">n employer & employee:<ul style="list-style-type: none">- \$18,000 in 2015- no age 50 or over additional salary reduction contribution
Catch-Up Contributions*	Special 457 catch-up: <ul style="list-style-type: none">n 3 years prior to the year of normal retirement agen limited to lesser of:<ol style="list-style-type: none">1) \$36,000 (twice the basic annual limit) in 2015, or2) the basic annual limit plus underutilized basic annual limit in prior years
Minimum Employee Coverage Requirement	<ul style="list-style-type: none">n selected group of management or highly compensated employeesn independent contractorsn does not need to pass a minimum coverage test
Withdrawals, Loans, and Distributions	<ul style="list-style-type: none">n withdrawals permitted after severance from employmentn must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½n plan may not permit loansn special rules apply to independent contractors
Rollovers/Transfers	<ul style="list-style-type: none">n no rollovers permittedn post-severance transfers permitted from one tax-exempt 457(b) to another tax-exempt 457(b)
Vesting	<ul style="list-style-type: none">n employee and employer contributions must be subject to claims of creditors
Employee Plans Compliance Resolution System (EPCRS)	<ul style="list-style-type: none">n no

* See www.irs.gov/retirement for annual updates

Defined Benefit

Sponsor/Eligible Employer	<ul style="list-style-type: none">n any employer
Key Advantage	<ul style="list-style-type: none">n provides a fixed, pre-established benefit for employees
Employer's Role	<ul style="list-style-type: none">n annual filing of Form 5500 required (unless government entity)n an actuary must determine annual contributionsn no model form to establish this plan
Contributors to the Plan	<ul style="list-style-type: none">n primarily funded by employer
Maximum Annual Contribution* (per participant)	<ul style="list-style-type: none">n actuarially determined contributionn plan benefits are subject to nondiscrimination testingn maximum annual benefit which may be funded is the lesser of \$210,000 or 100% of a participant's average compensation for his or her highest 3 consecutive calendar years
Catch-Up Contributions	N/A
Minimum Employee Coverage Requirement	<ul style="list-style-type: none">n must pass minimum coverage test
Withdrawals, Loans, and Distributions	<ul style="list-style-type: none">n payment of benefits after a distributable event occurs (e.g., retirement, death, disability, severance from employment)n must start receiving distributions by April 1 following the later of year of retirement or attainment of age 70½n loans permittedn early withdrawals subject to 10% additional tax
Rollovers/Transfers	<ul style="list-style-type: none">n generally, participant's benefit can be rolled over to another qualified plan that accepts rollovers or an IRA
Vesting	<ul style="list-style-type: none">n may vest over time according to plan terms
Employee Plans Compliance Resolution System (EPCRS)	<ul style="list-style-type: none">n yes

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Retirement Plan Information Resources

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

- [Publication 560, *Retirement Plans for Small Business \(SEP, SIMPLE, and Qualified Plans\)*](#)
- [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 \(IRAs\)*](#)

The following publications are only available online at www.irs.gov/formspubs:

- [Publication 963, *Federal-State Reference Guide*](#)
- [Publication 4222, *401\(k\) Plans for Small Businesses*](#)
- [Publication 4224, *Retirement Plan Correction Programs*](#)
- [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*](#)
- [Publication 4806, *Profit Sharing Plans for Small Businesses*](#)

For assistance or information on retirement plans, see:

- Plan Sponsor at www.irs.gov/retirement

Tax Exempt and Government Entities

Customer Account Services

(877) 829-5500