

# Oracle Fusion Cloud Human Resources

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**How do I configure 401 (k) deferred  
compensation plans?**

**FA Latest**



Oracle Fusion Cloud Human Resources  
How do I configure 401 (k) deferred compensation plans?

FA Latest

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# 1 What deferred compensation plans are available for the US?

You can support a variety of deferred compensation plans for your employees.

Plan type	To define elements for this plan type
401 (k)	<p>Using the Elements task, define an element with the Pretax Deductions primary element classification and Deferred Compensation 401k secondary element classification.</p> <p>During element definition, you can elect to set up a variety of additional contribution types.</p> <ul style="list-style-type: none"> <li>• After-tax</li> <li>• Catch-up and catch-up employer-match</li> <li>• Employer-match</li> <li>• Roth after-tax and Roth catch-up</li> </ul> <p>You can also define after-tax and Roth contributions manually as described below.</p>
After-Tax 401 (k)	<p>The element template provides the option to define after-tax contributions during the base element definition.</p> <p>You can also manually define this contribution type. Using the Elements task, select the Voluntary Deductions primary element classification and Pension Plan After Tax secondary element classification. Using this method, you can elect to set up employer-match contributions for this plan.</p>
Roth 401 (k)	<p>The element template provides the option to define Roth contributions during the base element definition.</p> <p>You can also manually define this contribution type. Using the Elements task, select the Voluntary Deductions primary element classification and Deferred Compensation 401k Roth secondary element classification.</p> <p>During element definition, you can elect to set up a variety of additional contribution types.</p> <ul style="list-style-type: none"> <li>• Catch-up and catch-up employer-match</li> <li>• Employer-match</li> </ul>
403 (b)	<p>For the base contribution, define an element with the Pretax Deductions primary classification and Deferred Compensation 403b secondary classification.</p> <p>To define employer-match and catch-up contributions, use the person's Benefits and Pensions card.</p>
After-Tax 403 (b)	<p>Define an element with the Voluntary Deductions primary classification and Pension Plan After Tax 403b secondary classification.</p> <p>To define employer-match contributions, use the person's Benefits and Pensions card.</p>

Plan type	To define elements for this plan type
Roth 403 (b)	<p>Define an element with the Voluntary Deductions primary classification and Pension Plan After Tax 403b secondary classification.</p> <p>To define catch-up and employer-match up contributions, use the person's Benefits and Pensions card.</p>
457 (b)	<p>For the base contribution, define an element with the Pretax Deductions primary classification and Deferred Compensation 457 secondary classification.</p> <p>To define employer-match and catch-up contributions, use the person's Benefits and Pensions card.</p>
After-Tax 457 (b)	<p>Define an element with the Voluntary Deductions primary classification and Pension Plan After Tax 457 secondary classification.</p> <p>To define employer-match contributions, use the person's Benefits and Pensions card.</p>
Roth 457 (b)	<p>Define an element with the Voluntary Deductions primary classification and Pension Plan After Tax 457 secondary classification.</p> <p>To define catch-up and employer-match up contributions, use the person's Benefits and Pensions card.</p>



## 2 How Do I Configure 401 (k) Deferred Compensation Plans?

As an employer you can offer pretax, Roth, catch-up, and after-tax 401 (k) deductions. Both employee and employer contributions are available.

You can define elements for these plan types.

Plan type	Description	To define this element
401 (k)	In this plan, an employee can elect to have a portion of their cash wages contribute to the plan on a pretax basis.	<p>Define an element with the Pretax Deductions primary element classification and Deferred Compensation 401 (k) secondary element classification.</p> <p>During the base plan configuration, you can define associated contribution types.</p> <ul style="list-style-type: none"> <li>• Employer-matching</li> <li>• Catch-up</li> <li>• Roth</li> <li>• After-tax</li> </ul>
401 (k) Catch-Up	These contributions help employees maximize their deferred compensation balances as they near their retirement age.	<p>You can define catch-up contributions during the base plan configuration.</p> <p>To define stand-alone catch-up elements, use the Deferred Compensation 401k Catch-Up secondary element classification.</p>
After-Tax 401 (k)	These contributions are considered voluntary and contribute to the 401 (k) plan with after-tax dollars.	<p>You can define after-tax contributions during the base plan configuration.</p> <p>To define stand-alone elements, use the Voluntary Deductions primary element classification and Pension Plan After Tax secondary element classification.</p>
Roth 401 (k)	This plan is similar to the 401 (k) plan but is funded with after-tax contributions from the participant.	<p>You can define Roth and Roth catch-up contributions during the base plan configuration.</p> <p>To define stand-alone elements, use these dedicated secondary classifications.</p> <ul style="list-style-type: none"> <li>• Deferred Compensation 401k Roth</li> <li>• Deferred Compensation 401k Roth Catch Up</li> </ul>

## Set the Input Values

You can set input values on the following elements.

- Base element
- Employer match

### Base Element Input Values

Input value	What it does
<b>Amount</b>	<p>Represents the dollar amount of the contribution.</p> <p>Entry in this input value takes priority over entry in the <b>Percentage</b> value.</p> <p><b>Note:</b> For flat amount contribution elements only.</p> <p>For example, to set a contribution of \$100, enter 100 . 00.</p>
<b>Deduction Amount</b>	<p>Overrides the amount of contribution deducted each pay period.</p> <p>Entry in this input value takes priority over entry in the <b>Amount</b> or <b>Percentage</b> values.</p> <p>For example, to set a contribution of \$100, enter 100 . 00.</p>
<b>Distribution Code</b>	Don't use for 401 (k) elements.
<b>Enforce Compensation Limit</b>	<p>If you select <b>Yes</b>, deductions stop when the annual compensation limit is reached.</p> <p>If you select <b>No</b>, deductions stop when the elective deferral limit is met.</p> <p>This applies to these contributions.</p> <ul style="list-style-type: none"> <li>• 401 (k)</li> <li>• 401 (k) After-Tax</li> <li>• 401 (k) Catch-Up</li> <li>• Roth 401 (k)</li> <li>• Roth 401 (k) Catch-Up</li> </ul>
<b>High Deduction</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Iteration Count</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Low Deduction</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.

Input value	What it does
Method	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
Override IRS Annual Compensation Limit	<p>Overrides the eligible compensation annual limit.</p> <p>For example, to set an override of \$200,000, enter 200000 . 00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
Override IRS Limit	<p>Overrides the statutory employee base contribution limit as enforced by the IRS. This assists in preventing overpayment into contributions. Use this value to set a new limit.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>Assume a statutory limit of \$17,500</li> <li>An employee has already contributed \$5,000 with a previous employer</li> <li>Use this input value to account for the \$5,000 already contributed</li> </ul> <p>Set the limit to \$12,500 with a date for the effective change (<math>17500 - 5000 = 12500</math>).</p> <p>For example, to set an override of \$12,500, enter 12500 . 00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
Partial Flag	<p>Select <b>Yes</b> to allow partial deduction amounts when:</p> <ul style="list-style-type: none"> <li>Earnings are insufficient to take the full deduction</li> <li>Legislative limits have been met</li> </ul>
Percentage	<p>Represents the percentage amount of the contribution.</p> <p><b>Note:</b> For percentage-amount contribution elements only.</p> <p>Entry in <b>Amount</b> and <b>Deduction Amount</b> takes priority over this input value.</p> <p>For example, enter 3% as 03.</p>
Period Type	Identifies how often the contribution is processed.

Input value	What it does
	<b>Note:</b> For flat amount contribution elements only.
Separate Tax Code	Don't use for 401 (k) elements.

### Employer-Match Element Input Values

Input value	What it does
Distribution Code	Don't use for 401 (k) elements.
Employer Contribution Percentage	Percentage of employee contributions matched by the employer. The default is to match \$.50 for every \$1 contributed by the employee.
Employer Contribution Limit Percentage	Maximum amount of employer contribution matching, based on the percentage of employee's pay per pay period. The default is to match 6% of the employee's pay per pay period.  For example, enter 6% as 06.
Employer Contribution Without EE	Identifies if the payroll process takes employer-matching contributions with or without employee contributions.
Employer Match Amount	Represents the dollar amount of the contribution.
Enforce Compensation Limit	If you select <b>Yes</b> , deductions stop when the annual compensation limit is reached.  If you select <b>No</b> , deductions stop when the elective deferral limit is met.  This applies to the following contributions. <ul style="list-style-type: none"> <li>• 401 (k)</li> <li>• 401 (k) After-Tax</li> <li>• 401 (k) Catch-Up</li> <li>• Roth 401 (k)</li> <li>• Roth 401 (k) Catch-Up</li> </ul>
Override IRS Annual Compensation Limit	Overrides the eligible compensation annual limit.  For example, to set an override of \$200,000, enter 200000 . 00.  <b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change.
Separate Tax Code	Don't use for 401 (k) elements.

Input value	What it does

## 401 (k) Catch-Up Contributions

Catch-up contributions help employees maximize their deferred compensation balances as they near their retirement age. These pretax payments are in addition to the base contributions, and they apply to 401 (k) deferred compensation deductions. They're restricted to participants 50 years and older.

When you define the base contribution, you can choose to configure catch-up contributions at that time. However, you can also set up catch-up elements independently.

What you want to do	How you do it
Define the catch-up deduction element	Use the Elements task.
Configure catch-up processing	<p>The element template prompts you choose if the payroll process deducts these catch-up contributions concurrently or sequentially with the base deductions.</p> <p>If you select <b>Concurrent</b>, the process takes the deductions at the same time as the base contributions.</p> <p>If you select <b>Sequential</b>, the process doesn't start taking deductions until the statutory maximum for the base contributions are met. The catch-up deductions begin in the current pay period.</p>
Set up employer matching	The element template prompts you to include employer-matching contributions.
Define the contribution amount rules	<p>Use the Amount Rules section of the template to define how the payroll process handles insufficient funds and eligible compensation limit checks.</p> <p>For further info, see Contribution Limits for Deferred Compensation Plans in the Help Center.</p>
Define the element processing rules	<p>Use the Processing Rules section of the template to define how the payroll process handles this element during payroll calculation, including iterative processing.</p> <p>For further info, see Iterative Processing for Pretax Deductions in the Help Center.</p>
Choose the employee contribution method	Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period. You set the contribution method through input values on the element.
Set the other input values	Use the input values to configure the element behavior, including overrides and limits.
Set the element processing priorities	<p>The element template automatically sets the appropriate processing priorities for the elements you define.</p> <p>If you need to change the processing priority for an element, use the Elements task to set a new value in <b>Priority</b>.</p>
Configure balance feeds for catch-up contributions	<p>There are no predefined balance feeds for the pretax catch-up indirect elements.</p> <p>For the payroll process to properly calculate taxes for the catch-up contributions:</p>

What you want to do	How you do it
	<ol style="list-style-type: none"> <li>1. Start the Balance Definitions task.</li> <li>2. Feed any 401 (k) catch-up results elements to the Other Pretax balance definition.</li> </ol>

## Define the Catch-Up Deduction Element

You can define catch-up contributions for 401 (k) plans through the Elements task.

Deduction type	Primary classification	Secondary classification
Base 401 (k) catch-up	Pretax Deductions	Deferred Compensation 401k Catch-Up

This creates a Pretax Deductions element named "<base element name> Catchup". Use the Balance Definitions task to feed the 401 (k) catch-up results element to the Other Pretax balance.

## Set Up Employer-Match Contributions

For employer-matching contributions, you have the following options.

Template prompt	What it does
No	No employer matching for the catch-up deductions.
Yes, with employee contributions	<p>Applies employer matching amounts based on employee contributions. By default, this element matches \$.50 for every \$1 contributed by the employee, up to 6% of their pay per pay period.</p> <p><b>Note:</b> Employer match deductions continue until the employer-match threshold is met, even if the employee has reached their deferred contribution limit for the year.</p>
Yes, without employee contributions	Applies an employer match even if the employee doesn't contribute. You must use the Employer Match Amount input value to define your contributions.

You can change the employer match values through the Employer Liabilities element's input values.

## Set the Input Values

You can set input values on the following elements.

- Catch-up base element
- Catch-up employer match

### Catch-Up Base Element Input Values

Input value	What it does
<b>Amount</b>	<p>Represents the dollar amount of the contribution.</p> <p>Entry in this input value takes priority over entry in the <b>Percentage</b> value.</p> <p><b>Note:</b> For flat amount contribution elements only.</p> <p>For example, to set an override of \$100, enter 100 . 00.</p>
<b>Deduction Amount</b>	<p>Overrides the amount of contribution deducted each pay period.</p> <p>Entry in this input value takes priority over entry in the <b>Amount</b> or <b>Percentage</b> values.</p> <p>For example, to set an override of \$100, enter 100 . 00.</p>
<b>Distribution Code</b>	Don't use for 401 (k) catch-up elements.
<b>Enforce Compensation Limit</b>	<p>If you select <b>Yes</b>, deductions stop when the annual compensation limit is reached.</p> <p>If you select <b>No</b>, deductions stop when the elective deferral limit is met.</p>
<b>High Deduction</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Iteration Count</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Low Deduction</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Method</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Override IRS Annual Compensation Limit</b>	<p>Overrides the eligible compensation annual limit.</p> <p>For example, to set an override of \$200,000, enter 200000.00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
<b>Override IRS Limit</b>	<p>Overrides the statutory employee base contribution limit as enforced by the IRS. This assists in preventing overpayment into contributions. Use this value to set a new limit.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>Assume a statutory limit of \$17,500</li> </ul>

Input value	What it does
	<ul style="list-style-type: none"> <li>An employee has already contributed \$5,000 with a previous employer</li> <li>Use this input value to account for the \$5,000 already contributed</li> </ul> <p>Set the limit to \$12,500 with a date for the effective change (<math>17500 - 5000 = 12500</math>).</p> <p>For example, to set an override of \$12,500, enter <b>12500 . 00</b>.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
<b>Partial Flag</b>	<p>Select <b>Yes</b> to allow partial deduction amounts when:</p> <ul style="list-style-type: none"> <li>Earnings are insufficient to take the full deduction</li> <li>Legislative limits have been met</li> </ul>
<b>Percentage</b>	<p>Represents the percentage amount of the contribution.</p> <p><b>Note:</b> For percentage-amount contribution elements only.</p> <p>Entries in <b>Amount</b> and <b>Deduction Amount</b> take priority over this input value.</p> <p>For example, enter 3% as <b>03</b>.</p>
<b>Period Type</b>	<p>Identifies how often the contribution is processed.</p> <p><b>Note:</b> For flat amount contribution elements only.</p>
<b>Process Type</b>	<p>Identifies whether this deduction is taken sequentially or concurrently with the base contribution.</p> <p>If you select <b>Concurrent</b>, the process takes the deductions at the same time as the base contributions.</p> <p>If you select <b>Sequential</b>, the process doesn't start taking deductions until the statutory maximum for the base contributions are met. The catch-up deductions begin in the current pay period.</p>
<b>Separate Tax Code</b>	<p>Don't use for 401 (k) catch-up elements.</p>
<b>To Within</b>	<p>Used for net-to-gross processing.</p> <p>For further info, see Net-to-Gross Earnings Elements for the US.</p>

### Catch-Up Employer Match Element Input Values



Input value	What it does
Distribution Code	Don't use for 401 (k) catch-up elements.
Employer Contribution Percentage	Percentage of employee contributions matched by the employer. The default is to match \$.50 for every \$1 contributed by the employee.
Employer Contribution Limit Percentage	Maximum amount of employer contribution matching, based on the percentage of employee's pay per pay period. The default is to match 6% of the employee's pay per pay period.  For example, enter 6% as 06.
Employer Contribution Without EE	Identifies if the payroll process takes employer-matching contributions with or without employee contributions.
Employer Match Amount	Represents the dollar amount of the contribution.
Enforce Compensation Limit	If you select <b>Yes</b> , deductions stop when the annual compensation limit is reached.  If you select <b>No</b> , deductions stop when the elective deferral limit is met.
Override IRS Annual Compensation Limit	Overrides the eligible compensation annual limit.  For example, to set an override of \$200,000, enter 200000 . 00.  <b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change.
Separate Tax Code	Don't use for 401 (k) catch-up elements.

## After-Tax Contributions

If your deferred compensation plan supports after-tax contributions to pretax accounts, you can choose to configure them when you define the base contribution.

However, you can also set up after-tax elements independently.

**Note:** After-tax elements are subject to the Elective Deferral and Annual Compensation limits. For further info, see Contribution Limits for Deferred Compensation Plans in the Help Center.

What you want to do	How you do it
Define the after-tax deduction element	Use the Elements task.
Configure after-tax processing	The element template prompts you choose if the payroll process deducts these after-tax contributions concurrently or sequentially with the base deductions.

What you want to do	How you do it
	<p>If you select <b>Concurrent</b>, the process takes the deductions at the same time as the base contributions.</p> <p>If you select <b>Sequential</b>, the process doesn't start taking deductions until the statutory maximum for the base contributions are met. The catch-up deductions begin in the current pay period.</p>
Set up employer matching	The element template gives you the option to include employer-matching contributions.
Define the contribution amount rules	<p>Use the Amount Rules section of the template to define how the payroll process handles insufficient funds and eligible compensation limit checks.</p> <p>For further info, see Contribution Limits for Deferred Compensation Plans in the Help Center.</p>
Define the element processing rules	Use the Processing Rules section of the template to define how the payroll process handles this element during payroll calculation.
Choose the employee contribution method	Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period. You set the contribution method through input values on the element.
Set the other input values	Use the input values to configure the element behavior, including overrides and limits.
Set the element processing priorities	<p>The element template automatically sets the appropriate processing priorities for the elements you define.</p> <p>If you need to change the processing priority for an element, use the Elements task to set a new value in <b>Priority</b>.</p>

For further info, see the following sections.

## Define the After-Tax Deduction Element

You can define after-tax contributions for 401 (k) plans through the Elements task.

Deduction type	Primary classification	Secondary classification
After-tax 401 (k)	Voluntary Deductions	Pension Plan After Tax

This creates a Voluntary Deductions element named "<base element name> After tax".

For further info, see Example of Defining Elements for 401 (k) and Roth 401 (k) Deferred Compensation Plans in the Help Center.

## Set Up Employer-Match Contributions

Employer after-tax contribution matching is optional and configurable.

Template prompt	What it does
No	No employer matching for your compensation plan.
Yes, with employee contributions	<p>Applies employer matching amounts based on employee contributions. By default, this element matches \$.50 for every \$1 contributed by the employee, up to 6% of their pay per pay period.</p> <p><b>Note:</b> Employer match deductions continue until the employer-match threshold is met, even if the employee has reached their deferred contribution limit for the year.</p>
Yes, without employee contributions	Applies an employer match even if the employee doesn't contribute. You must use the Employer Match Amount input value to define your contributions.

You can change the employer match values through the Employer Liabilities element's input values.

**Note:** Although these are employee after-tax contributions, you must send any employer-matching contributions to a third-party pretax account.

## Choose the Employee Contribution Method

Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period.

If you enter values in the Deduction Amount, Amount, and Percentage input values for an employee, the payroll process applies them according to this priority.

1. Deduction Amount
2. Amount
3. Percentage

When you assign the element entry to an employee, you define the flat amount or percentage for that employee. If you choose percentage, the payroll process draws the contributions from eligible earnings only.

## Set the Input Values

You can set input values on the following elements.

- After-tax base element
- After-tax employer match

### After-Tax Base Element Input Values

Input value	What it does
Amount	<p>Represents the dollar amount of the contribution.</p> <p>Entry in this input value takes priority over entry in the <b>Percentage</b> value.</p>

Input value	What it does
	<p><b>Note:</b> For flat amount contribution elements only.</p> <p>For example, to set an override of \$100, enter 100 . 00.</p>
Deduction Amount	<p>Overrides the amount of after-tax contribution deducted each pay period.</p> <p>Entry in this input value takes priority over entry in the <b>Amount</b> or <b>Percentage</b> values.</p> <p>For example, to set an override of \$100, enter 100 . 00.</p>
Distribution Code	Don't use for after-tax elements.
Enforce Compensation Limit	<p>If you select <b>Yes</b>, deductions stop when the annual compensation limit is reached.</p> <p>If you select <b>No</b>, deductions stop when the elective deferral limit is met.</p>
Override IRS Annual Compensation Limit	<p>Overrides the eligible compensation annual limit.</p> <p>For example, to set an override of \$200,000, enter 200000 . 00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
Partial Flag	<p>Select <b>Yes</b> to allow partial deduction amounts when:</p> <ul style="list-style-type: none"> <li>Earnings are insufficient to take the full deduction</li> <li>Legislative limits have been met</li> </ul>
Percentage	<p>For percentage contributions, represents the percentage amount.</p> <p>Enter a percentage in the following format: 3 for 3%.</p>
Period Type	For flat amount contributions, identifies how often the contribution is processed.
Process Type	<p>Identifies whether this deduction is taken sequentially or concurrently with the base contribution.</p> <p>If you select <b>Concurrent</b>, the process takes the deductions at the same time as the base contributions.</p> <p>If you select <b>Sequential</b>, the process doesn't start taking deductions until the statutory maximum for the base contributions are met. The catch-up deductions begin in the current pay period.</p>
Separate Tax Code	Don't use for after-tax elements.

### After-Tax Employer-Match Element Input Values

Input value	What it does
Distribution Code	Don't use for after-tax elements.
Employer Contribution Percentage	Percentage of employee contributions matched by the employer. The default is to match \$.50 for every \$1 contributed by the employee.
Employer Contribution Limit Percentage	Maximum amount of employer contribution matching, based on the percentage of employee's pay per pay period. The default is to match 6% of the employee's pay per pay period.  For example, enter 6% as 06.
Employer Contribution Without EE	Identifies if the payroll process takes employer-matching contributions with or without employee contributions.
Employer Match Amount	Represents the dollar amount of the contribution.
Enforce Compensation Limit	If you select <b>Yes</b> , deductions stop when the annual compensation limit is reached.  If you select <b>No</b> , deductions stop when the elective deferral limit is met.
Override IRS Annual Compensation Limit	Overrides the eligible compensation annual limit.  For example, to set an override of \$200,000, enter 200000 . 00.  <b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change.
Separate Tax Code	Don't use for after-tax elements.

## Roth 401 (k) Contributions

If your deferred compensation plan supports Roth 401 (k) contributions to after-tax accounts, you can choose to configure them when you define the base contribution.

However, you can also set up Roth elements independently.

**Note:** Roth 401 (k) elements are subject to the Elective Deferral and Annual Compensation limits. For further info, see Contribution Limits for Deferred Compensation Plans in the Help Center.

What you want to do	How you do it
Define the base deduction element	Use the Elements task.
Set up employer matching	The element template prompts you to include employer-matching contributions.

What you want to do	How you do it
Set up catch-up processing	<p>The element template prompts you to include catch-up contributions with the base contributions.</p> <p>If you choose to include them, it prompts you choose if the payroll process deducts them concurrently or sequentially with the base deductions.</p> <p>If you select <b>Concurrent</b>, the process takes the deductions at the same time as the base contributions.</p> <p>If you select <b>Sequential</b>, the process doesn't start taking deductions until the statutory maximum for the base contributions are met. The catch-up deductions begin in the current pay period.</p>
Set up catch-up employer matching	The element template prompts you to include catch-up employer-matching contributions.
Define the contribution amount rules	<p>Use the Amount Rules section of the template to define how the payroll process handles insufficient funds and eligible compensation limit checks.</p> <p>For further info, see Contribution Limits for Deferred Compensation Plans in the Help Center.</p>
Define the element processing rules	<p>Use the Processing Rules section of the template to define how the payroll process handles this element during payroll calculation, including iterative processing.</p> <p>For further info, see Iterative Processing for Pretax Deductions in the Help Center.</p>
Choose the employee contribution method	Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period. You set the contribution method through input values on the element.
Set the other input values	Use the input values to configure the element behavior, including overrides and limits.
Set the element processing priorities	<p>The element template automatically sets the appropriate processing priorities for the elements you define.</p> <p>If you need to change the processing priority for an element, use the Elements task to set a new value in <b>Priority</b>.</p>

## Define the Base Deduction Element

You can define contributions for Roth 401 (k) plans through the Elements task.

Deduction type	Primary classification	Secondary classification
Base Roth 401 (k)	Voluntary Deductions	Deferred Compensation 401k Roth

This creates a Voluntary Deductions element named "<base element name> Roth".

For further info, see Example of Defining Elements for a 401 (k) and Roth 401 (k) Deferred Compensation Plans in the Help Center.

## Set Up Employer-Match Contributions

Employer Roth contribution matching is optional and configurable.

Template prompt	What it does
No	No employer matching for your compensation plan.
Yes, with employee contributions	<p>Applies employer matching amounts based on employee contributions. By default, this element matches \$.50 for every \$1 contributed by the employee, up to 6% of their pay per pay period.</p> <p><b>Note:</b> Employer match deductions continue until the employer-match threshold is met, even if the employee has reached their deferred contribution limit for the year.</p>
Yes, without employee contributions	Applies an employer match even if the employee doesn't contribute. You must use the Employer Match Amount input value to define your contributions.

You can change the employer match values through the "<element name> Roth Employer Match" element's input values.

## Set Up Employer-Match Catch-Up Contributions

You have the same employer-match options for catch-up contribution as for the base contributions.

## Choose the Employee Contribution Method

Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period.

If you enter values in the Deduction Amount, Amount, and Percentage input values for an employee, the payroll process applies them according to the following priority.

1. Deduction Amount
2. Amount
3. Percentage

When you assign the element entry to an employee, you define the flat amount or percentage for that employee. If you choose percentage, the payroll process draws the contributions from eligible earnings only.

## Set the Input Values

You can set input values on the following elements.

- Roth base element
- Roth employer match

### Roth Base Element Input Values

Input Value	What it does
<b>Amount</b>	<p>Represents the dollar amount of the contribution.</p> <p>Entry in this input value takes priority over entry in the Percentage value.</p> <p><b>Note:</b> For flat amount contribution elements only.</p> <p>For example, to set a contribution of \$100, enter 100 . 00.</p>
<b>Deduction Amount</b>	<p>Overrides the amount of contribution deducted each pay period.</p> <p>Entry in this input value takes priority over entry in the <b>Amount</b> or <b>Percentage</b> values.</p> <p>For example, to set a contribution of \$200,000, enter 200000 . 00.</p>
<b>Distribution Code</b>	Don't use for Roth 401 (k) elements.
<b>Enforce Compensation Limit</b>	<p>If you select <b>Yes</b>, deductions stop when the annual compensation limit is reached.</p> <p>If you select <b>No</b>, deductions stop when the elective deferral limit is met.</p>
<b>High Deduction</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Iteration Count</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Low Deduction</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Method</b>	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
<b>Override IRS Annual Compensation Limit</b>	<p>Overrides the eligible compensation annual limit.</p> <p>For example, to set an override of \$200,000, enter 200000 . 00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
<b>Override IRS Limit</b>	<p>Overrides the statutory employee base contribution limit as enforced by the IRS. This assists in preventing overpayment into contributions. Use this value to set a new limit.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>Assume a statutory limit of \$17,500</li> </ul>



Input Value	What it does
	<ul style="list-style-type: none"> <li>An employee has already contributed \$5,000 with a previous employer</li> <li>Use this input value to account for the \$5,000 already contributed</li> </ul> <p>Set the limit to \$12,500 with a date for the effective change (17500 - 5000 = 12500).</p> <p>For example, to set an override of \$12,500, enter 12500 . 00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
Partial Flag	<p>Select <b>Yes</b> to allow partial deduction amounts when:</p> <ul style="list-style-type: none"> <li>Earnings are insufficient to take the full deduction</li> <li>Legislative limits have been met</li> </ul>
Percentage	<p>Represents the percentage amount of the contribution.</p> <p><b>Note:</b> For percentage-amount contribution elements only.</p> <p>Entries in <b>Amount</b> and <b>Deduction Amount</b> take priority over this input value.</p> <p>For example, enter 3% as 03.</p>
Period Type	<p>Identifies how often the contribution is processed.</p> <p><b>Note:</b> For flat amount contribution elements only.</p>
Separate Tax Code	Don't use for Roth 401 (k) elements.

### Roth Employer-Match Element Input Values

Input value	What it does
Distribution Code	Don't use for Roth 401 (k) elements.
Employer Contribution Percentage	Percentage of employee contributions matched by the employer. The default is to match \$.50 for every \$1 contributed by the employee.
Employer Contribution Limit Percentage	Maximum amount of employer contribution matching, based on the percentage of employee's pay per pay period. The default is to match 6% of the employee's pay per pay period.
	For example, enter 6% as 06.

Input value	What it does
<b>Employer Contribution Without EE</b>	Identifies if the payroll process takes employer-matching contributions with or without employee contributions.
<b>Employer Match Amount</b>	Represents the dollar amount of the contribution.
<b>Enforce Compensation Limit</b>	If you select <b>Yes</b> , deductions stop when the annual compensation limit is reached.  If you select <b>No</b> , deductions stop when the elective deferral limit is met.
<b>Override IRS Annual Compensation Limit</b>	Overrides the eligible compensation annual limit.  For example, to set an override of \$200,000, enter 200000 . 00.  <b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change.
<b>Separate Tax Code</b>	Don't use for Roth 401 (k) elements.

## Roth Catch-Up Contributions

Your deferred compensation plan can support catch-up contributions for Roth 401 (k) plans. Unlike 401 (k) catch-up contributions, the payroll process calculates these contributions after tax. Use the appropriate catch-up secondary classifications within the Voluntary Deductions primary classification. They're restricted to participants 50 years and older.

When you define the base Roth contribution, you can choose to configure catch-up contributions at that time. However, you can also set up Roth catch-up elements independently.

What you want to do	How you do it
Define the catch-up deduction element	Use the Elements task.
Configure catch-up processing	The element template prompts you choose if the payroll process deducts these catch-up contributions concurrently or sequentially with the base deductions.  If you select <b>Concurrent</b> , the process takes the deductions at the same time as the base contributions.  If you select <b>Sequential</b> , the process doesn't start taking deductions until the statutory maximum for the base contributions are met. The catch-up deductions begin in the current pay period.
Set up catch-up employer matching	The element template prompts you to include catch-up employer-matching contributions.
Define the contribution amount rules	Use the Amount Rules section of the template to define how the payroll process handles insufficient funds and eligible compensation limit checks.

What you want to do	How you do it
	For further info, see Contribution Limits for Deferred Compensation Plans in the Help Center.
Define the element processing rules	Use the Processing Rules section of the template to define how the payroll process handles this element during payroll calculation, including iterative processing.  For further info, see Iterative Processing for Pretax Deductions in the Help Center.
Choose the employee contribution method	Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period. You set the contribution method through input values on the element.
Set the other input values	Use the input values to configure the element behavior, including overrides and limits.
Set the element processing priorities	The element template automatically sets the appropriate processing priorities for the elements you define.  If you need to change the processing priority for an element, use the Elements task to set a new value in <b>Priority</b> .

## Define the Catch-Up Deduction Element

You can define catch-up contributions for Roth 401 (k) plans through the Elements task.

Deduction type	Primary classification	Secondary classification
Roth 401 (k) catch-up	Voluntary Deductions	Deferred Compensation 401k Roth Catch Up

This creates a Voluntary Deductions element named "<base element name> Roth Catchup".

For further info, see Example of Defining Elements for 401 (k) and Roth 401 (k) Deferred Compensation Plans in the Help Center.

## Set Up Catch-Up Employer-Match Contributions

Roth catch-up employer matching is optional and configurable.

Template prompt	What it does
No	No employer matching for your compensation plan.
Yes, with employee contributions	Applies employer matching amounts based on employee contributions. By default, this element matches \$.50 for every \$1 contributed by the employee, up to 6% of their pay per pay period.  <b>Note:</b> Employer match deductions continue until the employer-match threshold is met, even if the employee has reached their deferred contribution limit for the year.

Template prompt	What it does
Yes, without employee contributions	Applies an employer match even if the employee doesn't contribute. You must use the Employer Match Amount input value to define your contributions.

You can change the employer match values through the "<element name> Roth Catchup Employer Match" element's input values.

## Choose the Employee Contribution Method

Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period.

If you enter values in the Deduction Amount, Amount, and Percentage input values for an employee, the payroll process applies them according to this priority.

1. Deduction Amount
2. Amount
3. Percentage

When you assign the element entry to an employee, you define the flat amount or percentage for that employee. If you choose percentage, the payroll process draws the contributions from eligible earnings only.

## Set the Input Values

You can set input values on the following elements.

- Roth catch-up base element
- Roth catch-up employer match

### Roth Catch-Up Base Element Input Values

Input Value	What it does
<b>Amount</b>	<p>Represents the dollar amount of the contribution.</p> <p>Entry in this input value takes priority over entry in the Percentage value.</p> <p><b>Note:</b> For flat amount contribution elements only.</p> <p>For example, to set a contribution of \$100, enter 100 . 00.</p>
<b>Deduction Amount</b>	<p>Overrides the amount of contribution deducted each pay period.</p> <p>Entry in this input value takes priority over entry in the <b>Amount</b> or <b>Percentage</b> values.</p> <p>For example, to set a contribution of \$100, enter 100 . 00.</p>
<b>Distribution Code</b>	Don't use for Roth 401 (k) elements.

Input Value	What it does
Enforce Compensation Limit	<p>If you select <b>Yes</b>, deductions stop when the annual compensation limit is reached.</p> <p>If you select <b>No</b>, deductions stop when the elective deferral limit is met.</p>
High Deduction	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
Iteration Count	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
Low Deduction	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
Method	Available if you enable iterative processing for this element. For further info, see Iterative Processing for Pretax Deductions in the Help Center.
Override IRS Annual Compensation Limit	<p>Overrides the eligible compensation annual limit.</p> <p>For example, to set an override of \$200,000, enter 200000 . 00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
Override IRS Limit	<p>Overrides the statutory employee base contribution limit as enforced by the IRS. This assists in preventing overpayment into contributions. Use this value to set a new limit.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>Assume a statutory limit of \$17,500</li> <li>An employee has already contributed \$5,000 with a previous employer</li> <li>Use this input value to account for the \$5,000 already contributed</li> </ul> <p>Set the limit to \$12,500 with a date for the effective change (<math>17500 - 5000 = 12500</math>).</p> <p>For example, to set an override of \$12,500, enter 12500 . 00.</p> <p><b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change. Use the Start-of-Year Process to remove the exemption and end-date the override on the appropriate employee records. For further info, see Run Start-of-Year Process in the Help Center.</p>
Partial Flag	<p>Select <b>Yes</b> to allow partial deduction amounts when:</p> <ul style="list-style-type: none"> <li>Earnings are insufficient to take the full deduction</li> <li>Legislative limits have been met</li> </ul>
Percentage	Represents the percentage amount of the contribution.

Input Value	What it does
	<p><b>Note:</b> For percentage-amount contribution elements only.</p> <p>Entries in <b>Amount</b> and <b>Deduction Amount</b> take priority over this input value.</p> <p>For example, enter 3% as 03.</p>
Period Type	<p>Identifies how often the contribution is processed.</p> <p><b>Note:</b> For flat amount contribution elements only.</p>
Separate Tax Code	Don't use for Roth 401 (k) elements.

### Roth Catch-Up Employer-Match Element Input Values

Input value	What it does
Distribution Code	Don't use for Roth 401 (k) elements.
Employer Contribution Percentage	Percentage of employee contributions matched by the employer. The default is to match \$.50 for every \$1 contributed by the employee.
Employer Contribution Limit Percentage	<p>Maximum amount of employer contribution matching, based on the percentage of employee's pay per pay period. The default is to match 6% of the employee's pay per pay period.</p> <p>For example, enter 6% as 06.</p>
Employer Contribution Without EE	Identifies if the payroll process takes employer-matching contributions with or without employee contributions.
Employer Match Amount	Represents the dollar amount of the contribution.
Enforce Compensation Limit	<p>If you select <b>Yes</b>, deductions stop when the annual compensation limit is reached.</p> <p>If you select <b>No</b>, deductions stop when the elective deferral limit is met.</p>
Override IRS Annual Compensation Limit	<p>Overrides the eligible compensation annual limit.</p> <p>For example, to set an override of \$200,000, enter 200000 . 00.</p>

Input value	What it does
	<b>Note:</b> If you use this override, you must clear this value at the beginning of each year with date effective change.
Separate Tax Code	Don't use for Roth 401 (k) elements.

## Other Considerations

When defining elements for 401 (k) or Roth 401 (k) deferred compensation plans, you have the following additional considerations.

For info about compensation limits, see [Compensation Limits for Deferred Compensation Plans](#) in the Help Center.

## Contribution Limits

The payroll process automatically enforces statutory limits on the deferred compensation contributions.

If your employee contributes to both 401 (k) and 403 (b) standard or Roth plans, the payroll process enforces the deferred compensation annual limit across the plans.

For further info, see [Contribution Limits for Deferred Compensation Plans](#) in the Help Center.

## Tax Exemptions

In most cases, pretax deferred wages aren't subject to federal (FIT) or state income tax (SIT) withholding at the time of deferral. However, they're included as wages subject to Social Security, Medicare, and federal unemployment tax (FUTA). The payroll process takes this into account and automatically deducts the appropriate taxes during payroll calculation.

For further info, see the following in the Help Center.

- [Involuntary Deduction Wage Basis Rules for the US](#)
- [Tax Wage Basis Rules for the US](#)

## Balances for Eligible Earnings

When you create an element that takes a percentage deduction, the payroll process doesn't take the deduction until you feed the eligible balance. The Elements task doesn't automatically establish this feed for tracking eligible earnings.

To identify the earnings to be used in these calculations:

1. Start the Balance Definitions task.
2. Search for and select the Deferred Compensation 401k Eligible Earnings predefined balance.
3. Click **Edit**.
4. Click **Balance Feeds**.
5. Configure the feeds for your eligible earnings results elements, and save your work.
6. Repeat these steps for the Total Deferred Compensation 401k Eligible Earnings predefined balance.

**Note:** If you're running multiple 401 (k) plans, they must use separate balances for each. You can use the predefined Deferred Compensation 401K Eligible Earnings and Total Deferred Compensation 401k Eligible Earnings balances for only one. For any additional plans, you must define and feed a new balance, copying the predefined one, and modify the appropriate fast formulas.

## Reports

The following reports collect and display info about deferred compensation deductions.

Report	How you use it
Deduction Report	View details of payroll deductions processed for the specified period.  For further info, see Deduction Report in the Help Center.
Element Results Register	View a listing of the elements and pay values processed for each payroll relationship action.  For further info, see Element Results Register for the US in the Help Center.
Statement of Earnings	Consolidates all relevant info from a payroll run or a prepayment into a single report, so the results can be easily viewed and verified. Includes info about personal info, payroll info, and tax and employment info, run results, messages, and balances.  For further info, see How to View the Statement of Earnings for the US in the Help Center.
Deferred Compensation Over the Limit Balance Exception Report	For further info, see Oracle Cloud Human Capital Management for the US: Balance Exception Report (2325520.1) on My Oracle Support.

### Related Topics

- [How Concurrent Catch-Up Deductions Are Calculated](#)
- [How Sequential Catch-Up Deductions Are Calculated](#)
- [Iterative Processing for Pretax Deductions](#)
- [Deduction Elements for the US](#)
- [Define Pretax Deduction Elements for the US](#)



## 3 Contribution Elements

### How to Define 401 (k) Contributions

Setting up the base employee contributions for a 401 (k) plan can involve multiple operations.

1. Define the base deduction element.
2. Define catch-up contributions, if you are offering them.
3. Define 401 (k) Roth contributions, if you are offering them.
4. Define after-tax contributions, if you are offering them.
5. Define contribution amount rules.
6. Define the element processing rules.
7. Set up any employer matching.
8. Choose the employee contribution method, and set the other input values to configure the element behavior, including overrides and limits.
9. Change the element processing priorities, as needed.
10. Configure balance feeds.

For further info, see the following sections.

#### How you define the base element

Use the Elements task.

- Pretax Deductions primary classification
- Deferred Compensation 401k Catch-Up secondary classification

**Note:** When you create these elements, the element template creates multiple indirect elements, such as Calculator elements. Some are based on selections you made during element definition, such as catch-up and employer-matching results elements.

#### How you define catch-up contributions

During base contribution element definition, the element template prompts you to include catch-up contributions with the base contributions.

If you choose to include them, it prompts you choose if the payroll process deducts them concurrently or sequentially with the base deductions. If you select **Sequential**, the process doesn't start taking deductions until the statutory maximum for the base contributions are met.

The template creates a **<base element name> Catchup** results element for these contributions.

#### How you define Roth contributions

During base contribution element definition, the element template prompts you to include Roth contributions with the base contributions. This can include Roth catch-up contributions.

If you choose to include catch-up contributions, it prompts you choose if the payroll process deducts them concurrently or sequentially with the base deductions. If you select **Sequential**, the process doesn't start taking deductions until the statutory maximum for the base contributions are met.

The template creates a **<base element name> Roth** results element for these contributions.

## How you define contribution amount rules

**Amount Rules** in the template defines how the payroll process handles insufficient funds and eligible compensation limit checks.

## How you define after-tax contributions

The element template prompts you to include after-tax contributions with the base contributions.

If you choose to include them, it prompts you choose between concurrent and sequential deduction methods. If you select **Sequential**, the process doesn't start taking deductions until the statutory maximum for the base contributions are met.

The template creates a **<base element name> After tax** results element for these contributions.

## How you define element processing rules

**Processing Rules** in the template defines how the payroll process handles this element during payroll calculation, including iterative processing.

## How you set up employer matching

Employer base contribution matching is optional, configurable, and applies to these deduction types.

- 401 (k)
- 401 (k) Catch-Up
- 401 (k) After-Tax
- 401 (k) Roth
- 401 (k) Roth Catch-Up

**Employer Match Rules** in the element template has a single prompt. The selection you make applies to all employer-match types.

Template prompt	What it does
No	No employer matching for your compensation plan.
Yes, with employee contributions	<p>Applies employer matching amounts based on employee contributions. By default, this element matches \$.50 for every \$1 contributed by the employee, up to 6% of their pay per pay period.</p> <p><b>Note:</b> Employer match deductions continue until the employer-match threshold is met, even if the employee has reached their deferred contribution limit for the year.</p>

Template prompt	What it does
Yes, without employee contributions	<p>Applies an employer match even if the employee doesn't contribute. You must use the Employer Match Amount input value to define your contributions.</p> <p>The match calculation remains 50% of the 6% of earnings.</p>

You can change the employer match values through the Employer Liabilities element's input values.

## How you set the employee contribution method and other input values

Employees can contribute either a flat dollar amount or a percentage of their earnings per pay period. Based on their choice, you enter a value in the element's **Deduction Amount**, **Amount**, or **Percentage** input value. When you assign the element entry to an employee, you define the flat amount or percentage for that employee. If you choose percentage, the payroll process draws the contributions from eligible earnings only.

**Note:** If you enter values in all three, the payroll process applies them according to the following priority.

1. Deduction Amount
2. Amount
3. Percentage

You can also set input values for these elements.

- Base element
- Employer match

## How you change the element processing priorities

The element template automatically sets the appropriate processing priorities for the elements you define.

If you need to change the processing priority for an element, use the Elements task to set a new value in **Priority**.

## How you configure balance feeds

There are no predefined balance feeds for the pretax catch-up indirect elements.

For the payroll process to properly calculate taxes for the catch-up contributions, use the Balance Definitions task.

- Feed 401 (k) catch-up results elements to the Other Pretax balance definition.

# Example of Defining Elements for 401 (k) and Roth 401 (k) Deferred Compensation Plans

In this example, you're defining pretax deductions elements for a 401 (k) deferred contribution plan.

This involves multiple stages.

1. Use the Elements task to define at least two pretax deductions elements.

2. Set the element entries.
3. Feed the predefined balance.

## How You Define the Element

This involves several steps.

1. Start the element template.
2. Define the base element amount rules.
3. Define the catch-up rules.
4. Define the Roth deductions.
5. Define the after-tax deductions.
6. Finish up with the template.

For further info, see the following sections.

## Get Started with the Element Template

Start the element template.

1. Start the Elements task.
2. Define an element using the Pretax Deductions primary classification and Deferred Compensation 401k secondary classification.
3. Define the necessary values in **Entry Rules**, **Availability Rules**, and **Duration and Termination Rules**.
4. Click **Next**.

## Define the Base Element Amount Rules

On **Additional Details**:

1. Specify any associated elements in **Deferred Compensation Rules** along with how they should be processed (concurrent or sequential).
  - Catch-up element
  - Roth element or Roth catch-up element
  - After-tax element
2. Choose **Yes** or **No** for the following options in **Amount Rules**.
  - If earnings are insufficient to take the full deduction, do you want to take a partial deduction?
  - Enforce 401K Eligible Compensation Limit Check

**Note:** After the template creates this element, set the actual amounts to be withdrawn through element entry. For further info, see Element Entry Methods in the Help Center.

3. Indicate how the element should be processed in **Processing Rules**.
  - Specify whether the element is nonrecurring or recurring during each payroll period or does it require explicit entry.
  - Choose whether to process the element only once in each payroll period.
  - Choose whether the element is subject to iterative processing.
4. Indicate if a corresponding employer-match element should be created and, if so, with or without employee contributions.

**Note:** After the template creates this element, you must set the matching amounts through element entry.

5. Define the necessary values in a person's element entry.

## How You Define Catch-Up Rules

In **Catch-up Rules**:

1. Indicate if your base element should have a corresponding catch-up element.

If you select **No**, skip to the next section.

By selecting **Yes**, the template creates a corresponding pretax element titled "<base element name> Catch Up".

2. Select the catch-up processing method.

Processing method	What it does
Concurrent	Deductions are taken at the same time as the base contributions.
Sequential	Deductions are taken only after the statutory maximum for the base contributions has been met.  The catch-up deductions begin in the current pay period.

3. Specify the amount rule for the catch-up element.

## How You Define Roth Rules

In Roth Rules:

1. Indicate if your base element should have a corresponding after-tax Roth element.

If you select **No**, skip to the next section.

By selecting **Yes**, the template creates a corresponding Roth after-tax element titled "<base element name> Roth".

**Note:** After the template creates this element, you must set the actual amounts to be withdrawn through element entry.

2. Specify the amount rule for the Roth element in an element entry.

**Note:** After the template creates this element, you must set the actual amounts to be withdrawn through element entry.

3. Indicate if a corresponding employer-match element should be created and, if so, with or without employee contributions.

Selecting one of the **Yes** options creates a corresponding after-tax employer match element, titled "<base element name> Roth Employer Match".

**Note:** After the template creates this element, you must set the matching amounts through element entry.

4. Indicate if your Roth element should have a corresponding catch-up element.

If so, specify its amount rule and processing method.

By selecting **Yes**, the template creates a corresponding after-tax catch-up element titled "<base element name> Roth Catch Up".

**Note:** After the template creates this element, you must set the actual amounts to be withdrawn through element entry.

## How You Define After-Tax Rules

In **After-Tax Rules**:

1. Indicate if your base element should have a corresponding after-tax element.

If you select **No**, click **Next**.

By selecting **Yes**, the template creates a corresponding after-tax element titled "<base element name> Aftertax".

**Note:** After the template creates this element, you must set the actual amounts to be withdrawn through element entry.

2. Specify the amount rule for the after-tax element.

**Note:** After the template creates this element, you must set the actual amounts to be withdrawn through element entry.

3. Specify the after-tax processing method for this element.
4. Indicate if a corresponding after-tax employer-match element should be created and, if so, with or without employee contributions.

## Finish Up

Once you have set the necessary values:

1. Click **Next**.
2. Review your settings, and click **Submit**.
3. Depending on what options you selected in the template, and what associated elements were created, you must feed the appropriate balances.

Balance feeds depend on the type of contribution and element:

- For base contributions, feed the Deferred Compensation 401K Eligible Earnings and Total Deferred Compensation 401k Eligible Earnings predefined balances.
- For catch-up contributions, feed the Other Pretax balance.

## How You Feed the Predefined Balance

You use the Balance Definitions task to configure the feeds because the Elements task doesn't automatically feed a balance for tracking eligible earnings. You can configure deferred compensation calculations requiring eligible earnings, such as 401 (k), catch-up 401 (k), Roth 401 (k), catch-up Roth 401 (k), and after-tax 401 (k).

1. Start the Balance Definitions task.
2. Search for and select the predefined Deferred Compensation 401k Eligible Earnings balance.
3. Click **Edit**.
4. Click **Balance Feeds**.
5. Configure the feeds and save your work.
6. Repeat these steps for the predefined Total Deferred Compensation 401k Eligible Earnings balance.

### *Related Topics*

- [Deferred Compensation Plans for the US](#)
- [Set Up 401 \(k\) and Roth 401 \(k\) Deferred Compensation Plans](#)
- [Define Pretax Deduction Elements for the US](#)
- [Pretax Deductions for the US](#)

## How Do I Configure Iterative Processing for Pretax Deductions

Sometimes a pretax deduction is equal to or higher than the person's gross pay. When this happens, the payroll process can withhold it iteratively. This makes sure it properly withholds higher priority deductions, like taxes and involuntary deductions.

For example, an employee has elected for 100% of their salary be deferred for pretax 401 (k). Although they're deferring their entire salary, that deferral is still subject to Social Security and Medicare taxes and certain state and local taxes. In this case, you would enable iteration for your 401 (k) element. When you run your payroll, the process withholds the required taxes before taking the 401 (k) deduction, up to the maximum limit.

To enable iterative processing for new elements:

1. Define the element as normal using the Elements task.
2. Select **Yes** for the **Is this element subject to iterative processing** template prompt.

To enable iterative processing for existing elements, use the Element Upgrade Process. For further info, see Oracle Cloud Human Capital Management for the US: Element Upgrade (2458385.1) on My Oracle Support.

## How do I add an employee's 401 (k) contributions from a previous employer to their current annual balance?

An employee hired midyear would be expected have been contributing to their 401 (k) through their previous employer.

The combined contributions between the old employer and new employer can't exceed the maximum limits mandated by the IRS. For such employees, you must update the their year-to-date deferred compensation balances to keep them from exceeding the annual limits. This is accomplished using the element's Override IRS Limit input value to lower the maximum limit for the year.

*Related Topics*

- [Contribution Limits for Deferred Compensation Plans](#)

## How do I set up employer contribution matching for 401 (k)?

When using the Elements task to create a 401 (k) contribution element, you're asked if your new element should have an employer match contribution associated with it.

If you choose **Yes**, the template automatically creates an indirect element and assigns a name based on the base element's name, such as " Employer Match". The default employer contribution match is \$.50 for every \$1 contributed by the employee, with a maximum limit of 6% of the employee's pay per pay period. However, you can override these values through the element's input values.

For employees hired midyear, it's possible they have had employer-matching contributions through their previous employment. To ensure contributions don't exceed the statutory maximum, enter the employee-specific statutory limit in the contribution element's Override IRS Limit input value, set through the element entry. If you do this, you must remember to remove the override for the next tax year.

*Related Topics*

- [Set Up 401 \(k\) and Roth 401 \(k\) Deferred Compensation Plans](#)
- [Example of Defining Elements for 401 \(k\) and Roth 401 \(k\) Deferred Compensation Plans](#)



## 4 Contribution Limits

### What are the contribution limits for deferred compensation plans?

The payroll process automatically enforces statutory limits on deferred compensation contributions at the payroll statutory unit (PSU) or tax reporting unit (TRU) levels.

**Note:** If your employee contributes to both 401 (k) and 403 (b) standard or Roth plans, the payroll process enforces the deferred compensation annual limit across the plans. Employees can participate in multiple plans of different types, such as 401 (k) and 403 (b). As their employer, you're responsible for tracking all elective deferrals contributing to the imposed statutory limit.

The payroll process enforces these limits based on a variety of factors, such as:

- Age of the employee, such as eligibility for catch-up contributions
- Their seniority, such as whether or not they're eligible for the 15 Years-of-Service rule
- Number of years before retirement, such as eligibility for the 457 (b) Special Catch-Up limit
- Type of plan

The IRS Internal Revenue Code has established the following limits on how an employee may contribute to their plans.

Contribution limit	What it does
Adjusted Deferred Compensation Limit 403b	Special limit for employees eligible for the 15 Years-of-Service rule.  The payroll process enforces this limit when you enable <b>Adjusted Deferred Compensation Limit</b> on the person's card.
Deferred Compensation 401k Annual Limit Deferred Compensation 403b Annual Limit Deferred Compensation 457 Annual Limit	This is the annual limit for base and Roth contributions of the appropriate plan types. It doesn't include any employer-match, after-tax, or catch-up contributions.  <b>Note:</b> If your employee contributes to both 401 (k) and 403 (b) standard or Roth plans, the payroll process enforces the deferred compensation annual limit across both plans.
Deferred Compensation 401k Catch-Up Annual Limit Deferred Compensation 403b Catch-Up Annual Limit Deferred Compensation 457 Catch-Up Annual Limit	This is the annual limit for catch-up and Roth catch-up contributions of the appropriate plan types. It doesn't include employer-match contributions.  <b>Note:</b> If your employee contributes to both 401 (k) and 403 (b) standard or Roth plans, the payroll process enforces the deferred compensation annual limit across both plans.

Contribution limit	What it does
Deferred Compensation 401k Puerto Rico Annual Limit	This is the annual limit for Puerto Rico 401 (k) or CODA contributions.
Deferred Compensation 401k Puerto Rico Catch Up Annual Limit	This is the annual limit for Puerto Rico 401 (k) or CODA catch-up contributions.
Elective Deferral Limit Elective Deferral Limit 403b Elective Deferral Limit 457	This is the combined pretax and after-tax annual limit for all employee and employer contributions to the appropriate plan types.  It applies to all contribution types for the appropriate element types.
Eligible Compensation Annual Limit Eligible Compensation Annual Limit 403b	This limit sets the maximum amount of compensation considered when calculating employer and employee contributions to the appropriate plan types. The payroll process uses this to determine the amount available for contributions and employer matching.  It applies to all contribution types for the appropriate element types.
Employer Contribution Limit Percentage	This limit is the maximum amount of matching contributions an employer can provide, measured as a percentage of the employee's pay per period.  The default is 6% of the person's pay per pay period.
Employer Contribution Percentage	Percentage of employee 401 (k) base contributions matched by the employer.  The default is 50% of the person's pay per pay period.
Percentage for Employer Contribution	Percentage of employee 403 (b) and 457 (b) base contributions matched by the employer.  The default is 50% of the person's pay per pay period.
Special Catch-Up Limit	This is a special 457 (b) plan limit for employees 3 years from retiring.  <b>Note:</b> This payroll process applies this limit if you set one of these to <b>Yes</b> . <ul style="list-style-type: none"> <li><b>Employee Eligible for Special Catch-Up</b> value definition  You set this for your legislative data group (LDG). When you select Yes, it applies to all employees in the LDG.</li> <li><b>Employee Eligible for Special 457 (b) Catch-Up Contributions</b> on the person's card component</li> </ul>

To view these limits:

1. Start the Calculation Value Definition task.
2. Select your US legislative data group (LDG), and search for the **Pretax Deductions** value definition group.
3. Select the appropriate value to view its statutory limits.

## Annual Compensation Limit for Pretax Deductions

The payroll process automatically enforces an annual compensation limit on your employees' deferred compensation contributions.

### How to disable this limit

In cases where your employees aren't subject to the annual compensation limit, you can disable the limit at the organization level.

1. Start the appropriate task from your implementation project, depending on if you're setting this value for a payroll statutory unit (PSU) or tax reporting unit (TRU).
  - o Legal Entity Calculation Cards
  - o Legal Reporting Unit Calculation Cards

The value you set on the TRU card overrides the value on the PSU card.

2. Select **Benefits** under the **Component Groups**.
3. Under **Calculation Components**, click **Create**.
4. Select the **Pension Plan** calculation component.
5. Select **401(k)**, and click **OK**.
6. Select **Enterable Calculation Values on Calculation Cards**, and click **Create**.
7. Select **Enforce Eligible Compensation Annual Limit Check**.
8. Select **No**.

By selecting **No**, the payroll process continues to perform employee deductions up to the annual deduction limit, even if the annual compensation limit has been reached.

9. Click **OK**, and save your changes.

### How to override this limit

You can use the following to override this limit.

These overrides	Work with these contribution types
Override IRS Annual Compensation Limit	401 (k) 403 (b) Roth 401 (k) Roth 403 (b)
Override IRS Employer Annual Compensation Limit	403 (b) employer-match Roth 403 (b) employer-match
Override IRS Employer Catch-Up Annual Compensation Limit	403 (b) employer-match catch-up

These overrides	Work with these contribution types
	Roth 403 (b) employer-match catch-up

## 5 Processing

### How Concurrent Catch-Up Deductions Are Calculated

When you set up catch-up contributions for deferred compensation deductions, such as 401 (k) and 403 (b), you can elect that the payments be deducted concurrently with the base payments.

This means that with each pay period, the payroll process applies two deductions, one for the base contribution and one for the catch up, up to the yearly statutory limits.

#### What settings affect concurrent processing

When you define the element for 401 (k) or Roth 401 (k), select **Concurrent** as the catch-up processing method. This allows concurrent processing of the deductions.

For 403 (b), 457 (b), Roth 403 (b), and Roth 457 (b) deferred compensation deductions, you select the concurrent catch-up processing method through the **Catch-Up Processing Rule** calculation value on the person's Benefits and Pensions card.

#### How the payroll process calculates concurrent deductions

When you start a payroll run, here's how the process calculates the base and catch-up contributions.

1. Calculates the regular contribution amount based on the base contribution element's settings.
2. If the statutory limits for regular contributions haven't yet been met, deducts the regular contribution.
3. Calculates the catch-up contribution amount based on the catch-up deduction element's settings.
4. If the statutory limits for catch-up contributions haven't yet been met, deducts the catch-up contribution. This amount is deducted at the same time as the base contribution.

### How Sequential Catch-Up Deductions Are Calculated

When you set up catch-up contributions for deferred compensation deductions, such as 401 (k) and 403 (b), you can elect that the payments should be deducted subsequently to the base payments.

This means that the catch-up deductions don't begin until the base contributions have met their yearly statutory limits.

#### What settings affect sequential processing

When you define the element for 401 (k) or Roth 401 (k), select **Sequential** as the catch-up processing method. This allows sequential processing of the deductions.

For 403 (b), 457 (b), Roth 403 (b), and Roth 457 (b) deferred compensation deductions, you select the concurrent catch-up processing method through the **Catch-Up Processing Rule** calculation value on the person's Benefits and Pensions card.

## How the payroll process calculates sequential deductions

When you start a payroll run, here's how the process calculates the base and catch-up contributions.

1. Calculates the regular contribution amount based on the base contribution element's settings.
2. If the statutory limits for regular contributions haven't yet been met, the process deducts the regular contribution.
3. If the year-to-date regular deduction limits have been met, the catch-up contributions start. These contributions start during the current pay period.

It calculates the catch-up contribution amount based on the catch-up deduction element's settings.

4. If the statutory limits for catch-up contributions haven't yet been met, it deducts the catch-up contribution.