Oracle Fusion Cloud Human Resources

What are the contribution limits for deferred compensation plans?

FA Latest

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation plans?

FA Latest

G40697-01

Author: JOLAWSON

Contents

ORACLE

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Get Help

Get Help

There are a number of ways to learn more about your product and interact with Oracle and other users.

Get Help in the Applications

Some application pages have help icons ⍰ to give you access to contextual help. If you don't see any help icons on your page, click your user image or name in the global header and select Show Help Icons. If the page has contextual help, help icons will appear.

Get Support

You can get support at *My Oracle Support*. For accessible support, visit *Oracle Accessibility Learning and Support*.

Get Training

Increase your knowledge of Oracle Cloud by taking courses at *Oracle University*.

Join Our Community

Use *Cloud Customer Connect* to get information from industry experts at Oracle and in the partner community. You can join forums to connect with other customers, post questions, suggest *ideas* for product enhancements, and watch events.

Learn About Accessibility

For information about Oracle's commitment to accessibility, visit the *Oracle Accessibility Program*. Videos included in this guide are provided as a media alternative for text-based topics also available in this guide.

Share Your Feedback

We welcome your feedback about Oracle Applications user assistance. If you need clarification, find an error, or just want to tell us what you found helpful, we'd like to hear from you.

You can email your feedback to *oracle_fusion_applications_help_ww_grp@oracle.com*.

Thanks for helping us improve our user assistance!

ORACLE

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Get Help

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Chapter 1
What are the contribution limits for deferred compensation
plans?

1 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 **Adjusted Deferred Compensation Limit** 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. > **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 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. > **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 both plans.
Deferred Compensation 401k Puerto Rico Annual Limit	This is the annual limit for Puerto Rico 401 (k) or CODA contributions.

ORACLE

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Chapter 1
What are the contribution limits for deferred compensation
plans?

Contribution limit	What it does
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. **Note:** This payroll process applies this limit if you set one of these to **Yes**. • **Employee Eligible for Special Catch-Up** value definition You set this for your legislative data group (LDG). When you select Yes, it applies to all employees in the LDG. • **Employee Eligible for Special 457 (b) Catch-Up Contributions** on the person's card component

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.

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation plans?

Chapter 2
How do I enforce annual deferred compensation limits for my US organization?

2 How do I enforce annual deferred compensation limits for my US organization?

The payroll process automatically enforces limits at the payroll statutory unit (PSU) level. This helps ensure all employees belonging to any tax reporting unit (TRU) in that PSU stay in compliance.

To change the enforcement of these limits:

1. To configure them at the PSU level, start the Legal Entity Calculation Cards task.

   To enforce them for a TRU, start the Legal Reporting Unit Calculation Cards task.

   Settings on the TRU override those on the PSU.
2. Select **Benefits** under **Component Groups**.
3. Under **Calculation Components**, click **Create**.
4. Select the **Pension Plan** calculation component.
5. Select the appropriate pension type, and click **OK**.
6. In **Pension Plan: Details**, select **Enterable Calculation Values on Calculation Cards**.
7. Click **Create**.
8. Select **Enforce Eligible Compensation Annual Limit Check** in **Name**.
9. Select **Yes** to enforce the limit. If you don't want to enforce the annual limit, select **No**.
10. Click **OK**.
11. Click **Save and Close**.

If you set this override to **No**, the payroll process continues to perform employee deductions up to the annual deduction limit, even if the annual compensation limit has been reached.

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation plans?

Chapter 2
How do I enforce annual deferred compensation limits for my US organization?

ORACLE

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Chapter 3
How can I override the IRS deferred compensation limits for
individual employees?

3 How can I override the IRS deferred compensation limits for individual employees?

There are cases when you need to override the IRS contribution limits, such as:

- An employee has changed companies.
- An employee has more than one type of deferred compensation plan.
- An employee is eligible for the 15 Years-of-Service rule.
- An employee is eligible for special 457 (b) catch-up contributions.

How you set the override depends on the kind of plan you're managing.

What you want to do	How you do it
Override limits for a 401 (k) plan for a specific employee	Use the Element Entries task to override limit values.
Override limits for a 403 (b) or 457 (b) plan for a specific employee	1. Open the person's Benefits and Pensions card for editing. 2. Select the appropriate plan's component. 3. Select **Enterable Calculation Values on Calculation Cards**, and click **Create**. 4. Search for and select the appropriate override. 5. Enter the override as a dollar amount, and click **OK**.

These overrides are available.

Override name	How you use it
Override IRS Annual Compensation Limit	Overrides these limits for base and employer-matching contributions. • Eligible Compensation Annual Limit • Eligible Compensation Annual Limit 403b
Override IRS Annual Limit Catch-Up	Overrides these limits. • Deferred Compensation 403b Catch-Up Annual Limit • Deferred Compensation 457 Catch-Up Annual Limit
Override IRS Employer Annual Compensation Limit	Overrides this limit for employer-matching contributions. • Eligible Compensation Annual Limit 403b
Override IRS Employer Catch-Up Annual Compensation Limit	Overrides this limit for employer-matching catch-up contributions. • Eligible Compensation Annual Limit 403b

Oracle Fusion Cloud Human Resources

What are the contribution limits for deferred compensation plans?

Chapter 3
How can I override the IRS deferred compensation limits for individual employees?

Override name	How you use it
Override IRS Limit	Overrides these limits. • Deferred Compensation 401k Annual Limit • Deferred Compensation 401k Catch Up Annual Limit • Deferred Compensation 403b Annual Limit • Deferred Compensation 457 Annual Limit For example, if an employee has been contributing to multiple plans, use the Override IRS Limit value for each plan. Change the individual values so their sum doesn't exceed the statutory maximum.

The default value of each of these overrides is $0.

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Chapter 4
How do I override limit checking for deferred compensation
contributions?

4 How do I override limit checking for deferred compensation contributions?

For 401 (k) plans, you can override your organization-eligible compensation limit checks when you define the element. You can also use the Element Entries task to override limit values for a 401 (k) plan for specific employees. For 403 (b) and 457 (b) plans, you override these limits on the person's Benefits and Pensions card.

All limits are enabled by default.

401 (k) limits	403 (b) and 457 (b) limits
Enforce Compensation Limit	Enforce Eligible Compensation Limit Enforce Employer Catch-Up Contribution Limit Enforce Employer Contribution Limit

ORACLE

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Chapter 4
How do I override limit checking for deferred compensation
contributions?

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation plans?

Chapter 5
How does the payroll process handle tax exemptions for deferred compensation plans?

5 How does the payroll process handle tax exemptions for deferred compensation plans?

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.

ORACLE

Oracle Fusion Cloud Human Resources
What are the contribution limits for deferred compensation
plans?

Chapter 5
How does the payroll process handle tax exemptions for
deferred compensation plans?

ORACLE