

457(b) Special Three-Year Catch-up Provision

What is a Special Three-Year Catch-up?

“Special Three-Year Catch-up” refers to a provision of the Internal Revenue Code (IRC) that permits participants who are in a governmental 457(b) plan and who are within three (3) calendar years of Normal Retirement Age (NRA), as defined by the Plan document, to defer additional amounts over the normal annual maximum contributions allowed. Under the 457(b) Plan, participants can designate their NRA, in writing, within the applicable age range.

What is Normal Retirement Age (NRA)?

NRA is the date designated by the participant for Special Three-Year Catch-up contribution purposes. Under the terms of the Plan, the lowest NRA you can designate is dependent on your age, years of service, and retirement eligibility tier in Nevada Public Employees Retirement System (PERS), in which you participate. You may not elect to enroll in the Special Three-Year Catch-up until you are within three (3) years of eligibility to draw an unreduced retirement benefit through PERS.

Who is eligible to participate in the Special Three-year Catch-up?

You are eligible only if:

- You are within three calendar years of your NRA; and
- You have not previously participated in the Special Three-Year Catch-up provision at City of Henderson or any other employer that offered a governmental 457(b) plan; and
- You under-contributed to the City’s 457(b) plan in prior years for which you were eligible to participate. If in prior years you were eligible to contribute to the City’s 457(b) Plan but did not, or you contributed less than the maximum for which you were eligible, you under-contributed, and you have unused contributions that you may now defer through the Special Three-Year Catch-up. For example, if you contributed only \$2,500 in a year in which you were eligible to contribute \$7,500, you would have an unused contribution of \$5,000 that you could not defer during your Special Three-Year Catch-up period.

How much can I contribute through the Special Three-Year Catch-up provision?

For up to three consecutive calendar years immediately prior to your elected NRA, you can elect to contribute up to twice the annual deferral limit (as designated by the Internal Revenue Service) based on the total of your underutilized contributions from prior years in which you were eligible under the City’s Deferred Compensation (457(b) Plan. The amount of underutilized contributions is the annual deferral limit for that year minus what you actually contributed in that year. You cannot make Age 50+ Catch-up contributions to the 457(b) Plan during the same years in which you are participating in the Special Three-Year Catch-up.

How do I determine the dollar amount of my unused 457(b) contributions so that I know how much I can contribute during the Special Three-Year Catch-up?

The Benefits team uses payroll information to calculate each employee's unused contribution balance, and will let you know how much you can contribute during the Special Three-year Catch-up.

What happens if I enroll in the Special Three-Year Catch-up but then do not retire at my stated NRA?

If you are eligible and enroll in Special Three-Year Catch-up, and then do not retire upon reaching your stated NRA, your Special Three-Year Catch-up contributions would not be affected. You only need to be within three (3) years of the NRA you designate to make Special Three-Year Catch-up contributions, and can still make the contributions even if you retire at a later date.

What happens when I complete my Special Three-Year Catch-up?

Once you finish your three years of Catch-up, you are eligible to continue to participate in the 457(b) plan and can continue, during the calendar year after your three-year Catch-up concludes, making contributions up to the calendar year annual maximum allowed under the Internal Revenue Code.

Can I stop Catch-up in the middle of the three-year period?

No, you cannot but you can change your contribution, but you may reduce your contribution to \$1.00. The Special Three-Year Catch-up 457(b) Plan is a once-in-a-lifetime privilege. It may be utilized only once during the three (3) years ending prior to your stated NRA.

Once you have designated your NRA for purposes of using the Special Three-Year Catch-up provision, it becomes irrevocable and you cannot designate a different NRA. You may participate in the Special Three-Year Catch-up for up to three consecutive calendar years ending prior to your NRA. Should you decide not to utilize one or more of the three years, it may not be made up later.

When does the three-year period start?

The three-year period is counted on a calendar year basis. You may commence making Special Three-Year Catch-up contributions at any time during an eligible calendar year; however, whether you start at the beginning or end of the year, that year counts as a full Catch-up year. Starting later in a calendar year may require significantly larger contributions from each paycheck to maximize your contributions, than if you were to start earlier in the year. If you cease Special Three-Year Catch-up deferrals at any time during the eligibility period, you cannot restart your Special Three-Year Catch-up period again. You may, however, resume regular contributions.

Can I also contribute using the Age 50+ Catch-up provision?

No, you cannot participate in the Age 50+ Catch-up and the Special Three-Year Catch-up simultaneously. The IRS does not permit this. If the Age 50+ Catch-up maximum is higher for you than the Special Three-Year Catch-up for any year in the three years prior to the year you attain NRA, you may contribute up to the Age 50+ Catch-up as long as you are Age 50 or older.

Note: You cannot elect to make Special Three-Year Catch-up contributions by merely changing your deferral election on the Empower website. You must complete the application process and designate your NRA within the applicable age range.

How do I apply for the Special Three-Year Catch-up?

E-mail the Benefits team at MyCOHBenefits@cityofhenderson.com for more details, to confirm your eligibility, and to get started on the process.