



State of Louisiana
Division of Administration
Office of State Uniform Payroll

July 1, 2008

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2009-01

TO: All ISIS HR Paid Agencies

FROM: Jena W. Cary
Director

SUBJECT: Deferred Compensation in Lieu of Retirement (457R) Plan Wage Limit

The following are examples (from the ISIS HR tax model bulletin board) of specific situations where Social Security Administration allows an employee to choose to contribute to LA Deferred Comp (457R) in lieu of Social Security/Retirement:

- An employee hired into a LASERS eligible position who is age 60 or older OR age 55 to 60 with 40 credits/quarters of FICA may opt to pay FICA or LA Deferred Comp (457R) in lieu of retirement.
- Elected officials and officials appointed by the Governor and subject to confirmation by the senate are optional in LASERS. These employees may opt to pay FICA or LA Deferred Comp in lieu of LASERS.
- An employee hired into a LASERS covered position who is receiving retirement benefits from any Louisiana public retirement system other than LASERS may opt to pay LASERS or LA Deferred Compensation in lieu of LASERS.

For LA Deferred Compensation (457R) to qualify as an alternative to Social Security and/or Retirement, an employee must contribute 7.5% on compensation up to the annual wage base. For 2008, the wage base is \$102,000; therefore, the maximum employee contribution for 2008 is \$7,650. A separate combined deferral limit exists for all 457 plans (retirement and savings). For 2008, this limit is \$15,500 (higher limits are available for employees over age 50 and/or on "catch up"). For example, an employee enrolled in 457R and 457S can contribute a maximum of \$15,500 for both plans combined. If the employee reaches the 457R annual wage base limit of \$7,650, he can then only contribute up to \$7,850 to 457S.

Beginning with period 14/2008 payroll processing, the ISIS HR system will automatically stop 457R deductions once the wage base limit has been met. Deductions for 457R will automatically resume the first pay period of the next calendar year.

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Agencies should refer to OSUP Memorandum [#2008-38](#) for additional information on Deferred Compensation and Tax Shelter limits. As stated in this memorandum, agencies are responsible for monitoring employee contributions throughout the year.

Any questions on §457 deferrals should be directed to LA Deferred Compensation at (225) 926-8082. For all other questions, contact a member of the OSUP Compliance and Research Unit at _DOA-OSUP-COMP@la.gov or (225):

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