403B – THE BASICS

Elective Deferrals (Employee Contribution): employees age 18+ can elect their own voluntary contributions (pre-tax or Roth) regardless of position, type, length of service and hours worked, including Priests.

- Elective Deferral cannot exceed $22,500 (in 2023)
- Elective Deferrals are only applied as whole percentages.
- Age 50 Catch-Up: $7,500 if age 50 or older (2023)
- Elective Deferrals are always 100% vested.

Employer Contribution: full time or part time lay employees and deacons age 18+ averaging 20 hours per week at one or more participating employers will become eligible after 6 months of service (min 520 hours in 26 weeks)

- Seasonal, temporary, fee for service (independent contractors), and per diem are not eligible for employer contribution.
- Priests are not eligible for Employer Contribution

A five-year “cliff” vesting applies to employer contributions.
0% vested until the employee reaches 5 years of service, then 100% vested.

Recording reimbursement for termed not vested employees

- Funds will only be forfeited if the terminated employee is not vested (did not work for 5 years within diocese) and did not begin working at another participating diocesan location within 12 months of separation date.

- Forfeited funds are returned to the employer after the 12 months (as noted above).

- Forfeited funds are ONLY returned to the employer (i.e., Parish(es)) which made the contributions.

- Per the IRS, forfeited funds can ONLY be applied to offset the future contributions – forfeited funds are returned via a credit in the “Who’s Where” invoice. Credits cannot be applied to the admin fees, and reduce the total amount owed.

- When the forfeited amount is greater than the invoice total, the credit (reimbursement) will be spread over multiple invoices.

- The Adjusting Journal Entry (AJE) to record the credit (reimbursement), reduce the employee withholdings and record the employer costs is needed.

See examples and AJE on the following page:
Diocese of Buffalo: Invoice

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Hours</th>
<th>GROSS WAGES</th>
<th>Legacy Defined Benefit</th>
<th>403(b) Employee Contribution</th>
<th>403(b) Employer Match</th>
<th>Roth</th>
<th>403(b) Core Employer Contribution Level 1</th>
<th>403(b) Core Employer Contribution Level 2</th>
<th>403(b) Core Employer Contribution Level 3</th>
<th>403(b) Core Employer Contribution Level 4</th>
<th>403(b) Core Employer Contribution Level 5</th>
<th>403(b) Employer Transition</th>
<th>403(b) Employee Catch Up</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joe</td>
<td>36.00</td>
<td>$540.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$47.40</td>
</tr>
<tr>
<td>1 Employee</td>
<td></td>
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</tr>
<tr>
<td>Total</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$47.40</td>
</tr>
</tbody>
</table>

Remittance to the retirement plan per category:
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00
- $0.00

Administration & Payroll Aggregation Fee: $8.10
Adjustment Amount: $(47.40)

TOTAL Remittance to the retirement plan: $8.10

Termed Not Vested Forfeiture – Jill ($1,447 of $1,532 returned to date)

All ACH remittances to the retirement plan are due within 15 days of the paycheck date.

A payment in the amount of $8.10 was submitted on: 5/4/2023 for payment on: 5/5/2023. Its status is: Processed

Adjusting Journal Entries:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Date</th>
<th>Memo</th>
<th>Account Name</th>
<th>Debit</th>
<th>Credit</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10998</td>
<td>05/05/2023</td>
<td>Who's Where Invoice</td>
<td>2032.10 403 (b)</td>
<td>$15.00</td>
<td>$0.00</td>
<td>05/05/2023</td>
<td>EE Withholding</td>
</tr>
<tr>
<td>4072.10 403(B) - Employer Contribution</td>
<td>$40.50</td>
<td>$0.00</td>
<td>05/05/2023</td>
<td>Current Amt for 403B and Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1000.10 Operating Account - Checking</td>
<td>$0.00</td>
<td>$8.10</td>
<td>05/05/2023</td>
<td>Cash Payment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3271.10 Reimbursement - 403b unvested EE</td>
<td>$0.00</td>
<td>$47.40</td>
<td>05/05/2023</td>
<td>Not Vested Emp. Reimb.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>