


Retirement Plan Comparison


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Offering a supplemental retirement plan to employees is very important. It allows employees to build retirement wealth to help cover the gap between their state retirement benefits and future social security benefits.


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Eligible Plan Types

County boards of education are eligible to offer both 403(b) and 457(b) plans to their employees under the rules for those types of plans.

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HB 4565

- HB 4565 passed during the 2022 Legislative Session and goes into effect on June 11, 2022.
- This bill modified W. Va. Code §18-25-1 and W. Va. Code §18A-4-12 by making the following revision in both sections:

“...The amount of such reduction shall not exceed the amount excludable from income under section ~~403(b)~~ of the United States Internal Revenue Code...”


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HB 4565 Implications

- Before the passage of HB 4565, although county boards of education could legally offer both 403(b) and 457(b) plans to their employees and the same employee could contribute to both plans, the total contributions were limited by W. Va. Code to the maximum contribution limits for only 403(b) plans.
- HB 4565 essentially doubled the amount of money that county board of educations are permitted to withhold for supplemental retirement on behalf of their employees, from \$20,500 to \$41,000.


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Comparison

403(b) and 457(b) plans have many similarities, but there are also some key differences between the two.

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457(b) vs. 403(b)

Maximum Contribution Limits

457(b) - \$20,500 for 2022

403(b) - \$20,500 for 2022

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457(b) vs. 403(b)

Additional Contributions Over Age 50

457(b) - \$6,500 annually

403(b) - \$6,500 annually

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457(b) vs. 403(b)

Special Catch-Up Provision

457(b) – If within three years of normal retirement age, an individual may be able to contribute up to \$41,000 in 2022, as limited by previous contributions.

403(b) - Employees with at least 15 years of tenure are eligible for an additional \$3,000 per year, up to a lifetime limit of an additional \$15,000.


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Distribution Age 457(b)

- Benefits become available when you no longer work for the employer providing the 457(b) plan.
- No 10% early withdrawal penalty common to other retirement plans if no longer employed.
- Otherwise, distributions are permitted when you are 59 ½ or if needed for an unforeseeable emergency.
- Required minimum distributions begin at age 72. Failure to take required minimum distribution results in a 50% excise tax on the amount that should have been withdrawn.


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Distribution Age 403(b)

- Can begin taking distributions at age 59 ½.
- **Distributions before age 59 ½ are subject to 10% early withdrawal penalty.**
- Required minimum distributions begin at age 72. Failure to take required minimum distribution results in a 50% excise tax on the amount that should have been withdrawn.

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457(b) vs. 403(b)

Employer Matching Contributions

457(b) – Any employer contribution applies towards the maximum contribution for the year.

403(b) -Employer match allowed. Total contributions from employer and employee cannot exceed \$61,000 for 2022.


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Items to Consider

- When selecting what retirement options an employer will make available to employees, employers should be aware of the fees that employees will be charged.
- According to the non-profit organization 403bwise, “The majority of K-12 403(b) plans are high fee. That’s because the majority of the financial firms servicing the plan sell expensive, commission-based products.” [How to Get Out of a Bad 403\(b\) :: 403bwise](#)


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Potential 403(b) Changes

- The IRS is working to execute statutory changes from the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) of 2019.
- Proposed rules were published in the Federal Register on February 24, 2022, that would change the required minimum distribution (RMD) rules for 403(b) plans.


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Potential 403(b) Changes

- The proposed RMD changes may pose administrative difficulties, especially for annuity contracts offered in a 403(b) plan.
- 403(b) annuity contracts would need to be reviewed to see if they could comply with the new proposed IRS rules.
- IRS is currently accepting comments on the proposed rules through May 25, 2022.


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West Virginia Retirement Plus

The West Virginia State Treasurer's Office (WVSTO) oversees the West Virginia Retirement Plus 457 Deferred Compensation Plan in conjunction with the plan's recordkeeper, Empower Retirement.


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West Virginia Retirement Plus

State employees are eligible to participate in the program, as are employees of cities, counties, towns, county boards of education and other political subdivisions that have adopted the plan.


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West Virginia Retirement Plus

- The WVSTO works diligently with Empower and Segal Marco Advisors to monitor the performance of the investment options in the 457 plan on a quarterly basis. Investment options that aren't performing to expectations are placed on a watch list and eventually replaced if performance does not improve.
- The WVSTO also monitors fees and works to reduce fees for program participants whenever possible.

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West Virginia Retirement Plus

- The minimum contribution amount for participants is only \$10 per pay.
- No back-end surrender fees.
- West Virginia Code §5-10B-3(c) states the following:

Employees are authorized to attend meetings called by the state employer or public employer for the purpose of explaining a plan during regular working hours.


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West Virginia Retirement Plus

There are currently 29 county boards of education that are signed up to participate in the West Virginia Retirement Plus 457 plan.

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West Virginia Retirement Plus

If you are interested in adding the West Virginia Retirement Plus 457 plan to the supplemental retirement options you make available to employees, please contact:

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