

403(b) ERISA Plan

FACT SHEET

403(b) ERISA Plan Overview																																															
Tax Advantages	<ul style="list-style-type: none"> Employee 403(b) deferrals are pretax Employee Roth 403(b) contributions are after-tax Employees pay no income taxes on contributions or earnings until they are distributed Tax deferral maximizes the compounding value and increases the participant’s ultimate retirement income Withdrawals are subject to ordinary income tax and, if made prior to age 59½, may be subject to a 10% IRS penalty tax Following a distributable event, participants may elect to roll assets to an IRA, where flexible distribution options may be available Roth 403(b) contributions and earnings may be withdrawn tax-free upon a qualified distribution, subject to plan provisions and IRS requirements, including separation from service 																																														
403(b) ERISA Features	<ul style="list-style-type: none"> Employees can elect to contribute from 0 to 100% of their income, up to the listed maximums of: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0070c0; color: white;">Tax Year</th> <th style="background-color: #0070c0; color: white;">403(b) ERISA Maximum Contribution</th> <th style="background-color: #0070c0; color: white;">Age 50 and Older Catch-up Contribution</th> <th style="background-color: #0070c0; color: white;">Age 60-63 Catch-up Contribution</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2026</td> <td style="text-align: center;">\$24,500</td> <td style="text-align: center;">\$8,000</td> <td style="text-align: center;">\$11,250</td> </tr> </tbody> </table> <ul style="list-style-type: none"> An additional “catch-up” option may be available for certain individuals, with at least 15 years of service Salary reductions make employee deferrals/contributions convenient and easy Employee traditional 403(b) pretax deferrals reduce their Federal, State and Local income taxes but are subject to Social Security (FICA) tax* Employee Roth 403(b) after-tax contributions are subject to State, Federal and Social Security (FICA) taxes Highly Compensated Employee (HCE) matching contributions are limited to a nondiscriminatory percentage. (See table below) <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="background-color: #0070c0; color: white;">Average Contribution Percentage (ACP) Test of Internal Revenue Code (IRC) Section 401(m)</th> </tr> <tr> <th style="background-color: #0070c0; color: white;">ACP of the Non-Highly Compensated</th> <th style="background-color: #0070c0; color: white;">Maximum ACP of the Highly Compensated</th> <th style="background-color: #0070c0; color: white;">Applicable Test</th> </tr> </thead> <tbody> <tr><td>1%</td><td>2%</td><td>200%</td></tr> <tr><td>2%</td><td>4%</td><td>200%</td></tr> <tr><td>3%</td><td>5%</td><td>2% Spread</td></tr> <tr><td>4%</td><td>6%</td><td>2% Spread</td></tr> <tr><td>5%</td><td>7%</td><td>2% Spread</td></tr> <tr><td>6%</td><td>8%</td><td>2% Spread</td></tr> <tr><td>7%</td><td>9%</td><td>2% Spread</td></tr> <tr><td>8%</td><td>10%</td><td>125%</td></tr> <tr><td>9%</td><td>11.25%</td><td>125%</td></tr> <tr><td>10%</td><td>12.50%</td><td>125%</td></tr> </tbody> </table> <p style="font-size: small;">At 2% ACP or less, use the 200% limit; above 2% until 8%, use the 2% spread limit; at 8% or above, use the 125% limit</p> <ul style="list-style-type: none"> Employee deferrals are always 100% vested Employers can encourage employee deferrals by matching a portion of the Employee’s deferral Employer nonelective contributions are allowed 			Tax Year	403(b) ERISA Maximum Contribution	Age 50 and Older Catch-up Contribution	Age 60-63 Catch-up Contribution	2026	\$24,500	\$8,000	\$11,250	Average Contribution Percentage (ACP) Test of Internal Revenue Code (IRC) Section 401(m)			ACP of the Non-Highly Compensated	Maximum ACP of the Highly Compensated	Applicable Test	1%	2%	200%	2%	4%	200%	3%	5%	2% Spread	4%	6%	2% Spread	5%	7%	2% Spread	6%	8%	2% Spread	7%	9%	2% Spread	8%	10%	125%	9%	11.25%	125%	10%	12.50%	125%
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Basic plan Features	<ul style="list-style-type: none">• Eligibility requirements for employer contributions can include up to age 21 and one year of service (1,000 hours)• Employer nonelective contributions are discretionary (from 0 to 25%)• Employer matching contributions can be discretionary or fixed• Employer nonelective contributions are allocated according to the formula specified in the plan• Employer contributions can be tied to a vesting schedule based on years of service• All of the participant's account balance is payable upon retirement, disability or death, but only the vested balance is payable with any other severance from employment• Taxable distributions for reason of disability, death or after age 55 and severance from employment avoid the IRS 10% early withdrawal penalty• Employees can defer any or all distributions until they are subject to IRS minimum distribution rules at the later of the IRS RMD age or retirement• Younger and long-term employees may benefit the most because they have more contribution opportunities and a longer period of tax-deferred earnings
Contributions	<ul style="list-style-type: none">• The employer's contribution is limited to 25% of eligible compensation• The maximum annual addition to a participant's account is the lesser of 100% of their compensation, subject to a \$80,000 annual limit (2026), plus any catch-up contributions
Plan Suitability	<p>403(b) ERISA Plans are favored when the employer:</p> <ul style="list-style-type: none">• Wants to give Employees the opportunity to enhance their own retirement benefits• Wants employees to make all or part of their contributions• Wants to limit Employer contribution obligations (matching contributions can be either a predetermined formula or discretionary)• Wants flexibility in making nonelective contributions
Advantages of a 403(b) ERISA Plan over a 401(k) Plan or SIMPLE IRA	<ul style="list-style-type: none">• Employees can defer more of their compensation – [SIMPLE IRA]• Employer matching contributions are discretionary and can be larger – [SIMPLE IRA]• A vesting schedule can apply to employer contributions – [SIMPLE IRA]• Participant loans can be made available – [SIMPLE IRA]• The IRS 10% early withdrawal penalty can be avoided after age 55 (instead of 59½) [SIMPLE IRA]• No discrimination testing on salary deferrals – [401(k)]

Your path *To and Through Retirement*[®] begins here.

Talk to your financial professional to see whether a 403(b) ERISA Plan can complement your retirement portfolio or contact us at 800.888.2461.

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