Saving plan Catch-up configuration

Purpose:
This article will details the two possible configurations for savings catch-up plan.

Overview:
The catch-up contribution for savings plan can be set in two different ways

1. With a generic plan (employee enrols in a specific catch-up plan on top of the standard savings plan).
2. Automatically generated based on the ‘standard’ savings plan configuration and employee master data

Standard functionality:
In the US contribution to savings plan is heavily regulated with a limit on the annual contribution an employee can make. For employees over 50 years old, this limit is increased this is called catch-up contributions. There is 2 ways in SAP to set up this functionality.

I] Generic plan
In this scenario you will need to have two plans created, the standard saving plan and the catch-up plans.

1.1 The regular saving plan (i.e. 401(k)) with the Qualified Plan check box marked in customize Personnel Management > Benefits > Plans >Savings Plans > Define Savings Plan General Data. Table V_SUBA_C.
1.2 The second plan, the catch-up, won't have this check box marked. This is to avoid that this plan contribution influences the standard annual contribution limit (currently 17000 for the 401(k)).

You will then have to manually define the contribution limits in Personnel Management > Benefits > Plans > Savings Plans > Define Employee Contribution Rules, according to the legal limit (currently, US 5,500 for 401k).
II] Automatic via standard plan configuration

2.1 Create only standard savings plan with the Qualified Plan check box marked (see 1.1).

2.2 Then add this plan to view Payroll > Payroll: USA > Benefits Integration > Set up catch up contributions (view V_T7USBEN03)
Here define the catch-up wage types for employee contribution and employer contribution if relevant, along with the age limit. (Do not enter limit on the employee contribution rule, as the system will use the constants maintained in view V_T511P).

The difference in these two approaches is that in the first one, catch-up starts immediately along with the regular 401(k) contributions.

With the second approach, catch-up starts as soon as the regular contribution limit is reached (either the standard one or the high compensation limit).

N.B: It is best practice to have 2 different wage types for regular and catch-up contribution to avoid incorrect contributions and incorrect limits.

Related Content:

Related Documents: Saving plan limits configuration

Related Notes: