Excess Deferrals: What they are, why they happen, and how to request a refund

If a retirement plan participant accidentally exceeds the IRS limit for elective employee contributions, they have until April 15 of the following year to have those contributions ("excess deferrals") refunded in order to avoid adverse tax consequences.

The IRS limit for 2020 is $19,500 for participants under 50 years of age, and $26,000 for participants 50 years of age and over. These limits apply to the participant's combined total elective employee contributions across all applicable retirement plans at all employers in the tax year.

Penn's system tracks your annual contributions to Penn's retirement plans and will stop your employee contributions when they reach the IRS limit. Excess contributions typically happen when a participant contributes to more than one employer's retirement plan in a tax year.

Example: If you're under 50 and made contributions of $3,500 to another employer's plan in the beginning of the tax year, then came to Penn and made contributions of $18,000 to Penn's plan, you have an excess contribution of $2,000.

If you have excess contributions that need to be refunded from Penn's plans, please submit your request through the Employee Solution Center at hcmsolutioncenter@upenn.edu. Please attach a copy of the applicable W-2 from the other employer, or the last pay statement for that year. Please note that TIAA and Vanguard cannot take refund requests directly from the participant. The benefits office will request the refund from TIAA or Vanguard on the participant's behalf.

Special Note About April 2021 Blackout Period

In April 2021, the retirement plan will experience a blackout period of several days during its transition to its new investment lineup at TIAA. TIAA and Vanguard will not be able to process refunds of excess deferrals during this time. We therefore have a deadline of March 22 for submission of refund requests. For refund requests submitted after that date, you will need to request the refund from the other employer.