OPERS
277 East Town St.
Columbus, OH 43215

EMPLOYER NOTICE

2018 IRS Compensation and Contribution Limits

WHO SHOULD READ THIS NOTICE

Finance directors, human resources and payroll professionals

SITUATION OVERVIEW

Each year, the Internal Revenue Service (IRS) establishes two specific limits about which employers should be knowledgeable: the compensation limit and the contribution limit.

The compensation limit (threshold established by IRC section 401(a)(17)) is the amount beyond which no further retirement contributions may be deducted from an employee's earnable salary for a given year. This limit applies to all OPERS members, regardless of their retirement plan enrollment. The compensation limits for 2018 are:

> For employees or elected officials establishing OPERS membership on or after Jan. 1, 1994, the compensation limit for 2018 increases to $275,000 from $270,000.
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> For employees or elected officials establishing OPERS membership prior to Jan. 1, 1994, the compensation limit for 2018 increases to $405,000 from $400,000. This limit is applied regardless of whether there has been a break in service or an account refund for previous service.

The contribution limit (threshold established by IRC section 415(c)(1)(A)) is the maximum amount an employee may contribute to a defined contribution plan. The IRS defines OPERS' Member-Directed Plan as a qualified defined contribution plan. The contribution limit to a defined contribution plan is the lesser of 100 percent of an employee's compensation or $55,000 ($54,000 for 2017 not including "catch-up" elective deferrals of $6,000 in 2017 for employees age 50 or older).

Employee and employer contributions, additional deposits paid by the employee to OPERS, and service purchases are all included when applying the contribution limit.

Certain contributions to OPERS' Traditional Pension Plan or Combined Plan may also be subject to this limit. These include mandatory contributions that are not picked up by the employer, Additional Annuity program contributions, and voluntary deposits to the Combined Plan.

OPERS monitors reported earnable salary and contributions and will contact you if any of your employees are nearing IRS guideline limits. Employers should monitor records of each employee's reported earnable salary but should not stop deducting and remitting contributions unless notified by OPERS.

Dec. 12, 2017

WHY THIS IS IMPORTANT

Although these limits may affect only a small number of your employees, monitoring these IRS mandated limits is important because any retirement contributions deducted and remitted in excess of the limits will result in a refund and a delay to your employees in receiving part of their salary. If an employee contribution is sent in error, OPERS will initiate the process to refund those contributions.

CHANGES TO THE EMPLOYER MANUAL

There are no Employer Manual changes resulting from the information contained in this Employer Notice.

WHOM TO CONTACT FOR MORE INFORMATION

After you review this Employer Notice, contact your Employer Outreach representative with questions or comments at (888) 400-0965, or by email at employeroutreach@opers.org.