

# EMPLOYER Notice

Ohio Public Employees Retirement System • 277 East Town Street • Columbus, Ohio 43215

## 2012 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, the *compensation limit* and the *contribution limit*, about which employers should be knowledgeable.

- 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 2012 are as follows:

- For employees or elected officials establishing OPERS membership on or after January 1, 1994, the *compensation limit* for 2012 increases to \$250,000. The limit for 2011 is \$245,000.
- For employees or elected officials establishing OPERS membership prior to January 1, 1994, the *compensation limit* for 2012 increases to \$375,000. This limit is applied regardless of whether there has been a break in service or an account refund for previous service. The limit for 2011 is \$360,000.
- 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 increases to the lesser of 100% of an employee's compensation or \$50,000. The limit for 2011 is \$49,000.
  - 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 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.

### What employers need to do

Monitor your records of each employee's reported earnable salary to make sure you are only deducting and remitting contributions up to the maximums allowed by the IRS. To help with this effort, OPERS will also monitor reported earnable salary and contributions subject to these IRS guidelines. Please be aware that OPERS will contact you if any of your employees are nearing these limits.

### Note:

*Withholding and remitting retirement contributions in excess of IRS limits results in additional paperwork for the employer.*

*Excess withholding also results in delayed delivery of some earned salary due to affected employees.*



1-888-400-0965

www.opers.org

(More information on back)

**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 of 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](mailto:employeroutreach@opers.org).

**For a current listing of OPERS Board members, please visit [www.opers.org](http://www.opers.org)**

*This Employer Notice is written in plain language for use by public employers who are subject to coverage under the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.*

