

EMPLOYER Notice

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

IRS Compensation and Contribution Limits for 2008

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 that are of importance to employers:

- 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-reported employees, regardless of retirement plan in which they are enrolled.
- The retirement *contribution limit* (threshold established by IRC section 415(c)) is the maximum amount an employee may contribute to a defined contribution plan.

The *compensation limits* for 2008 are:

- For employees or elected officials who became OPERS members on or after January 1, 1994, the maximum compensation limit for 2008 has increased to \$230,000. That means retirement contributions cannot be taken on any earnable salary exceeding that amount. (The limit for 2007 is \$225,000.)
- For those employees or elected officials who were initially OPERS members *before* January 1, 1994, the compensation limit has increased to \$345,000. This limit is applied regardless of whether there has been a break in service *or* an account refund for previous public service. (The limit for 2007 is \$335,000.)

The *contribution limits* for 2008:

- The maximum contribution limit to a qualified defined contribution plan is the lesser of: 100% of compensation or \$46,000. (The limit for 2007 is \$45,000.)
 - Remember that both employee and employer contributions are included when calculating the maximum contribution threshold.
 - The IRS defines OPERS' Member-Directed Plan as a defined contribution plan.
 - Certain contributions to OPERS' Traditional Pension and Combined Plans may be subject to this limit. These include mandatory contributions that are not picked up by the employer, OPERS Additional Annuity Program contributions, and voluntary deposits to the Combined Plan.

Note:

Withholding and submitting retirement contributions in excess of IRS limits results in additional paperwork for employers.



1-888-400-0965
www.opers.org

(More information on back)

What you need to do

We ask that you monitor your records and each employee's reported earnable salary to make sure you are deducting contributions only up to the maximum allowed by the IRS. To help with this effort, OPERS will also monitor reported earnable salary and contributions as they relate to the IRS guidelines. Employer Reporting will contact you if any of your employees are nearing these limits.

Why this is important

Although these limits may impact only a small percent of your employees, monitoring these IRS-mandated limits is important because any retirement contributions deducted from earnable salary exceeding the limit will result in a return of those contributions and in additional paperwork for you. If an employee contribution is sent in error, OPERS will initiate the process to return those contributions.

Who to contact for more information

After you review this *Employer Notice*, contact your Employer Outreach representative with questions or to request a brochure at 1-888-400-0965 or via the Internet at employeroutreach@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.



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