2010 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. It is important to note that both limits are unchanged for 2010.

- 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 2010 are:
- For employees or elected officials establishing OPERS membership on or after January 1, 1994, the compensation limit for 2010 remains at $245,000.
- For employees or elected officials establishing OPERS membership prior to January 1, 1994, the compensation limit for 2010 remains at $360,000. 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)) 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 remains the lesser of 100% of an employee’s compensation or $49,000.
  - Both employee and employer contributions are included when applying the contribution limit. In addition, the contribution limit calculation includes any additional deposits paid by the employee to OPERS and service purchases.
  - 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.

What you need to do
We ask that you 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.
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 return of the contributions exceeding the limit and a delay to your employees receiving part of their salary. If an employee contribution is sent in error, OPERS will initiate the process to return 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 1-888-400-0965, or by email 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.