

EMPLOYER Notice

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

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.

Note:

Both the compensation limit and the contribution limit are unchanged for 2010.

Withholding and remitting retirement contributions in excess of IRS limits can result in additional paperwork for the employer and delay the delivery of earned salary due to the affected employees.



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

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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.



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