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 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.

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.
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.