

# Employer *Notice*

## 2015 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, the 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 2015 are as follows:

- For employees or elected officials establishing OPERS membership on or after Jan. 1, 1994, the compensation limit for 2015 increases to \$265,000. The limit for 2014 is \$260,000.
  - For employees or elected officials establishing OPERS membership prior to Jan. 1, 1994, the compensation limit for 2015 increases to \$395,000. This limit is applied regardless of whether there has been a break in service or an account refund for previous service. The limit for 2014 is \$385,000.
- The *contribution limit*, the 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 the OPERS Member Directed Plan as a qualified defined contribution plan.
  - The contribution limit to a defined contribution plan for 2015 increases to the lesser of 100 percent of an employee's compensation or \$53,000. The limit for 2014 is \$52,000.



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# 2015 IRS Compensation and Contribution Limits *(continued)*

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- 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 the 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 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.

## 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 e-mail at [employeroutreach@opers.org](mailto:employeroutreach@opers.org). 

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