

Employer *Notice*

2016 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 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 2016*.

- 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 2016 are:

- For employees or elected officials establishing OPERS membership on or after Jan. 1, 1994, the *compensation limit* for 2016 remains at \$265,000.
- For employees or elected officials establishing OPERS membership prior to Jan. 1, 1994, the *compensation limit* for 2016 remains at \$395,000. 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)(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.

- The *contribution limit* to a defined contribution plan remains the lesser of 100 percent of an employee's compensation *or* \$53,000.
- 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.

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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 Employer Services with questions or comments at 888-400-0965, or by e-mail at employeroutreach@opers.org. 

For a current listing of OPERS Board members, please visit www.opers.org

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