



EMPLOYER NOTICE

2017 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 *compensation limits* for 2017 are:

- For employees or elected officials establishing OPERS membership on or after Jan. 1, 1994, the *compensation limit* for 2017 increases to \$270,000 from \$265,000.
- For employees or elected officials establishing OPERS membership prior to Jan. 1, 1994, the *compensation limit* for 2017 increases to \$400,000 from \$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 is the lesser of 100 percent of an employee's compensation or \$54,000 (\$53,000 for 2015 and 2016 not including "catch-up" elective deferrals of \$6,000 in 2015-2017 for employees age 50 or older).
 - 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 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

OPERS monitors reported earnable salary and contributions and will contact you if any of your employees are nearing IRS guideline limits. Employers should monitor records of each employee's reported earnable salary but should not stop deducting and remitting contributions unless notified by OPERS.

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 in receiving 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.

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

It is your responsibility to be certain that OPERS has your current physical and e-mail address on file. If OPERS is not made aware of address changes, we cannot guarantee that you will receive important information pertaining to OPERS public employers. 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.