



EMPLOYER NOTICE

OPERS Announces 2021 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 that you will want to understand: the compensation limit and the contribution limit.

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 2021 compensation limits are:

- **\$290,000** for employees or elected officials establishing OPERS membership on or after Jan. 1, 1994.
- **\$430,000** for employees or elected officials establishing OPERS membership prior to Jan. 1, 1994. 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 the 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 **\$58,000**.

- 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 or Combined Plans 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.

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

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WHY THIS IS IMPORTANT

Although these limits may affect only a small number of your employees, monitoring IRS 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 refund process.

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

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 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.