



District Business and Advisory Services

Judy Lee Kershaw, Director - DBAS: 408-453-6599

Bulletin: 19-028

Date: February 28, 2019

To: District Chief Business Officers
 District Fiscal Directors
 District Personnel and Payroll Directors

From: Nghia Do, District Business Advisor

Re: Compensation Limits for California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement Systems (CalSTRS)

Both CalPERS and CalSTRS have updated the compensation limits for the calendar year 2019 and fiscal year 2019-20 in accordance with the Internal Revenue Service's (IRS) guidance.

Retirement System	Compensation Limit		
	Fiscal Year	July 1, 2018 - June 30, 2019	July 1, 2019 - June 30, 2020
CalSTRS	Internal Revenue Code Section 401(a)(17) Compensation Limit for CalSTRS 2% at 60 Members	\$275,000	\$280,000
	Creditable Compensation Limit for CalSTRS 2% at 62 Members	\$146,230	TBD
CalPERS	Calendar Year	January 1, 2018 - December 31, 2018	January 1, 2019 - December 31, 2019
	Compensation Limit for Classic Members (Members with membership date prior to July 1, 1996 are not impacted by these limits)	\$275,000	\$280,000
	Compensation Limit for PEPRAs Members (Social Security Participants)	\$121,388	\$124,180
	Compensation Limit for PEPRAs Members (Non-Social Security Participants)	\$145,666	\$149,016

For CalPERS, it is the district's responsibility for monitoring when an employee meets or exceeds the compensation limit. Once an employee reaches the compensation limit, the district must continue reporting compensation as earned; however, employer and employee contributions should no longer be reported for the rest of the calendar year. Federal Law does not allow CalPERS to refund over-reported contributions to an active CalPERS member. Districts must report these adjustments and refund the money to the employee(s) once these adjustments have posted.

For CalSTRS, when an employee earns compensation in excess of the limits and the employee became a CalSTRS member on or after July 1, 1996, please contact the CalSTRS Member Account Services representative for reporting instructions. Do not remit employer or member contributions to CalSTRS on any compensation that exceeds the limit.

Additional information can be found in the CalPERS circular letter 200-003-19 and CalSTRS Employer Information Circular Volume 35; Issue 1.

<https://www.calpers.ca.gov/docs/circular-letters/2019/200-003-19.pdf>

<https://www.calstrs.com/information-circular/eic19-1-volume-35-issue-1>

Please distribute this memo within your District as deemed appropriate.



California Public Employees' Retirement System
P.O. Box 942715 | Sacramento, CA 94229-2715
(888) CalPERS (or 888-225-7377) | TTY: (877) 249-7442
www.calpers.ca.gov

Payroll Circular Letter

January 15, 2019
Circular Letter: 200-003-19
Distribution: IV, V, VI, X, XII, XVI

To: All CalPERS Employers
Subject: 2019 Compensation Limits for Classic and PEPRA Members

Purpose

The purpose of this Circular Letter is to update your agency on the 2019 compensation limits for Classic and Public Employees' Pension Reform Act (PEPRA) members. These guidelines provide information on how to report payroll when Internal Revenue Code (IRC) or PEPRA limits have been reached in a calendar year. Section 401(a)(17) of the IRC provides earnings limits on annual compensation that can be taken into account under qualified retirement plans for some Classic members. Government Code section 7522.10 of the PEPRA provides the authority for the earnings limit for all PEPRA members.

The employer should notify all Classic or PEPRA members who are subject to the compensation limit requirements.

Compensation Limit

The compensation limit for Classic members for the 2019 calendar year is \$280,000. Employees with membership dates prior to July 1, 1996, are not impacted by these limits.

The compensation limits for Classic members during calendar years 2015 through 2018 are:

2018	2017	2016	2015
\$275,000	\$270,000	\$265,000	\$265,000

The compensation limit for PEPRA members for the 2019 calendar year is:

Year	Social Security Participants	Non-Social Security Participants
2019	\$124,180	\$149,016

The compensation limits for PEPRA members during calendar years 2015 through 2018 are:

Year	Social Security Participants	Non-Social Security Participants
2018	\$121,388	\$145,666
2017	\$118,775	\$142,530
2016	\$117,020	\$140,424
2015	\$117,020	\$140,424

Compensation limits for both Classic and PEPRA members do not limit the salary an employer can pay, but rather limits the amount of compensation taken into account under the defined benefit plan.

Report compensation earnable to CalPERS for Classic members; report pensionable compensation to CalPERS for PEPRA members. Classic and PEPRA members should not make contributions on compensation that exceeds the limit for each calendar year. In addition, exclude items such as overtime, automobile allowances, and lump-sum payouts for all compensation reported.

The employer is responsible for monitoring when an employee meets or exceeds the limit. Once a participant reaches the compensation limit, the employer must continue reporting compensation as earned; however, employer and employee contributions should no longer be reported for the rest of the calendar year. my|CalPERS will track Classic and PEPRA member earnings over multiple CalPERS contracting agencies. Therefore, if a member is hired in the middle of the year from another CalPERS agency, my|CalPERS will notify you, the current employer, when the member reaches or exceeds the compensation limit. Monitoring and contribution reporting begins anew at the beginning of each calendar year. The end date of the payroll earned period determines in which calendar year the period falls.

Federal law does not allow CalPERS to refund over-reported contributions to an active CalPERS member. The employer must report these adjustments and refund the money to the employee(s) once these adjustments have posted.

Impact on Final Compensation

For Classic members, final compensation is the average annual compensation earnable for a 12- or 36-consecutive-month period of employment, depending on the employer contract.

Classic members' retirement allowances are subject to final compensation limits under IRC section 401(a) (17). The calculation of each 12-month period will be subject to the annual compensation limit in effect for the calendar year in which the 12-month period begins. If final compensation exceeds 12 months, each 12-month period is calculated based on the applicable annual compensation limit for that 12-month period.

For PEPRAs members, final compensation is the average annual pensionable compensation for a 36-consecutive-month period of employment.

PEPRA members' retirement allowances are subject to pensionable compensation limits under Government Code section 7522.10. The pensionable compensation limit — used to calculate final compensation — is calculated based on the limit in effect for each calendar year and the number of days per year included in the final compensation period.

Training

An online training class, "my|CalPERS Payroll: Reporting Earnings Over the Compensation Limit" is available for employers. This class provides instruction on how to report payroll information when the compensation limit has been reached. To enroll in online training, log in to my|CalPERS and select the **Education** tab.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**)

Renee Ostrander, Chief
Employer Account Management Division