



RETIREMENT SERVICES DIVISION MEMORANDUM 2020-01

January 30, 2020

TO ALL HEADS OF STATE AGENCIES

ATTENTION: All Personnel and Payroll Officers

**SUBJECT: ALTERNATE RETIREMENT PROGRAM (ARP) COMPENSATION
AND CONTRIBUTION LIMITS**

I. INTRODUCTION

The Internal Revenue Code (IRC) establishes limits on retirement plan benefits and contributions. The Internal Revenue Service (IRS) has announced the compensation and contribution limits which will affect the Alternate Retirement Program (ARP) for the 2020 calendar year.

The purpose of this memorandum is to provide agencies with (1) the revised annual compensation limit under IRC, Section 401(a) (17), (2) the revised contribution limit under IRC, Section 415(c) and (3) the required administrative procedures to ensure proper compliance.

II. ARP COMPENSATION LIMIT

The Alternate Retirement Program (ARP) contains a compensation limit under the IRC, Section 401(a) (17). Specifically, this limit, also referred to as a cap, was placed on the amount of annual compensation which may be considered for purposes of calculating pension contributions as a result of revisions made by the Omnibus Budget Reconciliation Act of 1993 (OBRA 93).

Employees who became participants of the ARP prior to January 1, 1996 are not subject to the OBRA 1993 annual compensation limit in 1996 or any year thereafter.

Employees who became participants in the ARP on and after January 1, 1996 are subject to the compensation limit as adjusted by the Commissioner of the IRS for increases in the cost of living in accordance with Section 401(a)(17) of the IRC.

For calendar year 2020, the compensation limit (cap) has increased to \$285,000.

III. ARP CONTRIBUTION LIMIT

The IRC, Section 415 imposes an annual dollar limit on combined employer and employee contributions to the ARP. All ARP participants are subject to this contribution limit regardless of when their participation in the ARP commenced. **For the 2020 calendar year, the combined contribution limit has increased to the lesser of \$57,000 or 100% of the participant's covered compensation.**

IV. ADMINISTRATIVE PROCEDURES

1. It is the obligation of each agency payroll department to ensure compliance with the compensation limit for affected ARP participants and the contribution limit for all ARP participants.
2. The agency payroll department must stop contributions to the ARP when either the compensation limit or contribution limit is met. The agency must resume the required contributions with the first payroll check dated in the next calendar year.

V. CONCLUSION

The Retirement Services Division will keep agencies informed of the maximum compensation and contribution limits for ARP participants. Any questions concerning this memorandum may be directed to the Division's Miscellaneous Retirement Systems Unit, at (860) 702-3509.

Very truly yours,

STATE EMPLOYEES RETIREMENT
COMMISSION KEVIN LEMBO, SECRETARY
EX OFFICIO

By:

John Herrington, Director
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JH/cn.