

**PENSION PLAN LIMITS FOR
TAX YEAR 2014**

The purpose of this circular is to alert employers that the Internal Revenue Service has announced the pension plan limits for tax year 2014 and to inform employers of the compensation limit under the Teachers' Retirement Law for California State Teachers' Retirement System (CalSTRS) members and participants who are first hired to perform creditable service on or after January 1, 2013. The following limits apply to benefits paid and compensation creditable to the Defined Benefit (DB), the Defined Benefit Supplement (DBS), and the Cash Balance (CB) Benefit Programs. CalSTRS is not authorized to give tax advice; accordingly, if you have any questions about these or any other Internal Revenue Code (IRC) Sections, please contact your tax advisor or the Internal Revenue Service.

IRC Section 401(a)(17) Compensation Limit for Certain CalSTRS 2% at 60 Members

The limit remains at \$255,000 for the 2013-14 plan year from July 1, 2013 through June 30, 2014. The compensation limit for the 2014 plan year is \$260,000; an increase of \$5,000, and becomes effective as of July 1, 2014. If you have an employee who will earn compensation in excess of this limit and the employee became a CalSTRS member or participant on or after July 1, 1996 and prior to January 1, 2013, please contact your CalSTRS Member Account Services Employer Representative for reporting instructions. Employer and member contributions to the DB, the DBS, and the CB Benefit Programs should not be taken on the excess amount.

California Public Employees' Pension Reform Act of 2013 Compensation Limit for CalSTRS 2% at 62 Members

The California Public Employees' Pension Reform Act of 2013 (PEPRA) limits creditable compensation that may be counted toward CalSTRS retirement benefits for all persons who are first hired to perform service subject to coverage by the DB Program on or after January 1, 2013, known as CalSTRS 2% at 62 members. The compensation limit is restricted to 120 percent of the 2013 Social Security contribution and benefit base and is adjusted annually based on changes to the Consumer Price Index for All Urban Consumers.

The compensation limit for CalSTRS 2% at 62 members in effect from July 1, 2013 through June 30, 2014, is \$136,440. If you have an employee who will earn compensation in excess of this limit, please contact your CalSTRS Member Account Services Employer Representative for reporting instructions. Employer and member contributions to the DB, the DBS, and the CB Benefit Programs should not be taken on the excess amount.

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CalSTRS will publish a separate Employer Information Circular to inform employers of the compensation limit for CalSTRS 2% at 62 members that will be effective July 1, 2014.

IRC Section 415(b) Retirement Benefit Limit

IRC Section 415(b) is a federal provision that limits the amount of annual retirement benefit an individual can receive from a tax-qualified defined benefit pension plan, such as CalSTRS. The annual retirement benefits payable from CalSTRS retirement plan are subject to the dollar limits imposed by IRC 415(b).

The limitation on the annual benefit for CalSTRS members, age 65, who participates in CalSTRS DB Program is \$179,659 for the 2014 calendar year.

The limit is actuarially adjusted for retirement before and after age 65. For example, the limit for members age 55 with less than 30 years of service is \$106,591, the limit for members at age 55 with more than 30 years of service is \$107,156, and the limit for members age 70 is \$183,606.

Any benefits due members and participants in excess of this limit are payable from the Replacement Benefits Program administered by CalSTRS. No action is required by employers to initiate payment of benefits under the Replacement Benefits Program. However, under federal law if members or participants were paying the Medicare Part A payroll tax when employed, payments from the Replacement Benefits Program will also be subject to the payroll tax deduction. CalSTRS will work with the member regarding any tax deductions under this part.

CalSTRS 2% at 62 members are not eligible for the Replacement Benefit Program.

If you have any questions regarding this circular, please contact your CalSTRS Member Account Services Representative.