

# Employer Information Circular

Volume 27; Issue 7

December 28, 2011

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## PENSION PLAN LIMITS FOR TAX YEAR 2012

The purpose of this circular is to alert employers that the Internal Revenue Service has announced the pension plan limits for tax year 2012. The following limits apply to benefits paid and compensation attributable 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 Sections, please contact your tax advisor or the Internal Revenue Service.

### **Internal Revenue Code Section 401(a)(17) compensation limit.**

The limit remains at \$245,000 for the 2011-12 plan year from July 1, 2011 thru June 30, 2012. The compensation limit for the 2012 year will increase by \$5,000 to \$250,000 and becomes effective as of July 1, 2012. The \$250,000 limit becomes effective July 1, 2012. 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, 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.

### **Internal Revenue Code Section 415(b) defined benefit plan dollar limit.**

Beginning January 1, 2012 the limitation on the annual benefit for CalSTRS members, age 65, who participate in the State Teacher's Retirement plan is \$171,202 for the 2012 calendar year.

This limit is actuarially reduced for retirement at less than age 62 (for example, \$101,571 at age 55 with less than 30 years and at 50 with more than 30 years \$102,010) and actuarially increased for retirement at greater than age 65 (for example, \$174,958 at age 70). This limit is applied annually to the employer-provided benefits of members and participants who retire between ages 62 and 65.

Any benefits due to members and participants in excess of this limit are payable from the Replacement Benefits Program administered by CalSTRS. 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.