

IRS Limits

An overview of IRS
limits placed on
qualified
retirement plans
such as OCERS



This brochure is intended to provide you with general information. This brochure does not constitute legal advice, and OCERS cannot provide legal advice to members. If there are any discrepancies between the information in this brochure and the law, the law will prevail. Should you have legal questions, you are advised to consult an attorney.

Orange County Employees Retirement System
2223 E. Wellington Avenue, Suite 100
Santa Ana, CA 92701-3161
Tel: (714) 558-6200
Web site: www.ocers.org

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IRS LIMITS: 401(a), 415(b) & (m)

The Orange County Employees Retirement System (OCERS) is considered a “qualified” plan under federal tax laws. If you became a member of OCERS on or after January 1, 1990, you will be subject to limitations outlined in specific sections of the Internal Revenue Code, including Section 401(a), 415(b) and Section 415(m).

EARNINGS LIMIT

Section 401(a) limits the amount of compensation OCERS can consider when calculating your Final Average Salary.

RETIREMENT BENEFIT PAYMENT LIMIT

Section 415(b) limits the annual dollar amount of retirement benefits paid from a tax qualified retirement system such as OCERS. The dollar figure is reduced for benefits commencing before age 62 and increased for benefits commencing after age 65 (however, employees of a fire department or sheriff’s department may be exempt from the “before 62” reduction if they have a minimum of 15 years of full-time fire department or sheriff’s department service credit in OCERS).

Section 415(m) establishes a replacement program funded by your employer.

WHAT DOES IT ALL MEAN?

These IRS limits may affect certain highly paid or long-service members, certain members receiving disability benefits or certain beneficiaries receiving survivor benefits. If the limits affect your retirement benefits, you will be notified by Member Services.

It is important to remember that if you are affected by the limit, you will still receive your total retirement allowance, but some of it will be paid by OCERS and some will be paid through a replacement benefit plan established by your former employer.

To see the current 415(b) limit on the amount of retirement benefits a general member is able to receive, please go to the “Retired Members” tab of OCERS’ Web site, www.ocers.org and click on the “Tax Information” button.”

IRS SAFETY DEFINITION

The IRS recognizes Safety Members as police officers and firefighters. However, Probation Officers and District Attorney Investigators are not considered Safety Members by the IRS, and are covered by General Member limits.