

**Retirement Board**

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Memorandum

To: Public Employers

From: Sonya Hellwinkel, Director  
Employer, Production & Pension Services

Date: December 5, 2017

Re: Active Member Salary Limitation

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NRS 286.535 requires that the amount of compensation used to determine the retirement benefit of a member of the System must not exceed the limitations provided under 401(a)(17) of the Internal Revenue Code. Effective January 1, 2018, the Internal Revenue Service has announced the salary limitations for active members for the 2018 calendar year. For active members that were enrolled in PERS prior to July 1, 1996, the limit on reportable wages is \$405,000 and for members enrolled on or after July 1, 1996, the limit is \$275,000. Please be aware that these wages limits do not apply to participants who first became a member of the System on or after July 1, 2015.

Attached is a worksheet which explains how to adjust a member's wage if they meet the salary limitation under the Employer-Paid contribution plan. If you have any questions or concerns please contact me at (775) 687-4200 extension 269 or Charyl Lacombe at (775) 687-4200 extension 228.

## Active Member Salary Cap Summary

### **NRS 286.535 Limitation on compensation used to determine retirement benefit.**

Notwithstanding any other provision of law, the amount of compensation used to determine the retirement benefit of a member of the System must not exceed:

1. For persons who first became members of the System before July 1, 1996, the limitation provided by section 401(a)(17) of the Internal Revenue Code (26 U.S.C. 401(a)(17)), as that section existed on July 1, 1993.
2. For persons who first became members of the System on or after July 1, 1996, the limitation provided by section 401(a)(17) of the Internal Revenue Code (26 U.S.C. 401 (a)(17)), as that section existed on July 1, 1996.

#### Limitations for Members enrolled before July 1, 1996

1/1996 to 12/1996	\$250,000
1/1997 to 12/1998	\$265,000
1/1999 to 12/1999	\$270,000
1/2000 to 12/2000	\$275,000
1/2001 to 12/2001	\$285,000
1/2002 to 12/2002	\$295,000
1/2003 to 12/2003	\$300,000
1/2004 to 12/2004	\$305,000
1/2005 to 12/2005	\$315,000
1/2006 to 12/2006	\$325,000
1/2007 to 12/2007	\$335,000
1/2008 to 12/2008	\$345,000
1/2009 to 12/2011	\$360,000
1/2012 to 12/2012	\$375,000
1/2013 to 12/2013	\$380,000
1/2014 to 12/2014	\$385,000
1/2015 to 12/2016	\$395,000
1/2017 to 12/2017	\$400,000
1/2018 to present	\$405,000

#### Limitations for Members enrolled on or after 7/1/1996

1/1996 to 12/1999	\$160,000
1/2000 to 12/2001	\$170,000
1/2002 to 12/2003	\$200,000
1/2004 to 12/2004	\$205,000
1/2005 to 12/2005	\$210,000
1/2006 to 12/2006	\$220,000
1/2007 to 12/2007	\$225,000
1/2008 to 12/2008	\$230,000
1/2009 to 12/2011	\$245,000
1/2012 to 12/2012	\$250,000
1/2013 to 12/2013	\$255,000
1/2014 to 12/2014	\$260,000
1/2015 to 12/2016	\$265,000
1/2017 to 12/2017	\$270,000
1/2018 to present	\$275,000

The limitation for active members is tracked on a calendar year basis (January through December). The amount of wages (and contributions) reported to PERS depends upon the contribution plan the employee participates under.

If a member was enrolled in PERS on or after July 1, 1996, and earned an annual salary of \$300,000 under the Employee/Employer contribution plan during the 2017 calendar year, the maximum that can be reported per month is \$22,500.00 ( $\$270,000 / 12 = \$22,500.00$ ). If this same member is paid bi-weekly the amount reported during a 2 pay period month is \$20,769.23 and \$31,153.85 during a 3 pay period month.

If the member is under the Employer-Paid contribution plan, the Employer-paid factor must be used to reduce the reportable wages. For example, if a member that was enrolled in PERS on or after July 1, 1996 earned \$300,000 under the Employer-Paid contribution plan (paid on a bi-weekly schedule) during calendar year 2018, the reportable wages would be adjusted as follows:

$\$275,000$  (2018 salary cap) / 26 pay periods =  $\$10,576.92 / 1.140283$  (Employer-Paid Factor) =  $\$9,275.70 \times 2 = \mathbf{\$18,551.40}$  (2 pay period month wage). Three pay period month wage = **\$27,827.10**.