

# Employer Information Circular

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## PENSION PLAN LIMITS FOR TAX YEAR 2024

The purpose of this circular is to alert employers to the Internal Revenue Service pension plan limits for tax year 2024 and to inform employers of the creditable compensation limit under the Teachers' Retirement Law for California State Teachers' Retirement System (CalSTRS) members and participants who are subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA). 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.

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.

### **Internal Revenue Code Section 401(a)(17) Compensation Limit**

IRC section 401(a)(17) limits creditable compensation that may be counted toward a CalSTRS retirement benefit for all persons who became a CalSTRS DB member or CB participant on or after July 1, 1996.

The annual compensation limit in effect for July 1, 2023, through June 30, 2024, is \$330,000.  
The annual compensation limit in effect for July 1, 2024, through June 30, 2025, is \$345,000.

A list of past IRC section 401(a)(17) limits can be found in the attached appendix.

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 employer representative for reporting instructions. Do not remit employer or member contributions to the DB, DBS or CB Benefit programs on any compensation that exceeds the limit.

### **Creditable Compensation Limit for CalSTRS 2% at 62 DB Members and CB Participants Subject to the California Public Employees' Pension Reform Act of 2013**

PEPRA limits creditable compensation that may be counted toward a CalSTRS retirement benefit for all CalSTRS DB members and CB participants subject to the act. All persons first hired on or after January 1, 2013, are subject to PEPRA and are known as CalSTRS 2% at 62 DB members and CB participants subject to PEPRA.

The creditable compensation limit is applicable to compensation creditable to the DB, DBS and CB Benefit programs combined and is based on 120% of the 2013 Social Security contribution and benefit base, adjusted annually for changes to the Consumer Price Index for All Urban Consumers: U.S. City Average.

The creditable compensation limit for CalSTRS 2% at 62 DB members and CB participants subject to PEPRA for July 1, 2023, through June 30, 2024, is \$176,614.

If you have an employee who will earn creditable compensation in excess of this limit, please contact your CalSTRS employer representative for reporting instructions. Do not remit employer or member contributions to the DB, DBS or CB Benefit programs on any compensation that exceeds the limit.

CalSTRS will publish a separate employer information circular to inform employers of the compensation limits for CalSTRS 2% at 62 DB members and CB participants subject to PEPRA that will be effective July 1, 2024.

### **Internal Revenue Code Section 415(b) Retirement Benefit Limit**

IRC section 415(b) limits the amount of annual retirement benefits that may be received from a tax-qualified pension plan. The annual retirement benefits payable from the CalSTRS DB and CB Benefit programs are subject to the dollar limits imposed by IRC section 415(b).

The limitation on the annual benefit for CalSTRS members or participants, age 65, who participate in the DB or CB Benefit programs is \$234,201 for the 2024 calendar year.

The limit assumes a 2% at 60 benefit formula and is actuarially adjusted for retirement before and after age 65. For example, the 2024 limit for members age 55 with less than 30 years of service is \$138,962; the 2024 limit for members at age 55 with more than 30 years of service is \$140,795; and the 2024 limit for members age 70 is \$239,405.

Any retirement benefits in excess of the limit that are payable to CalSTRS 2% at 60 DB members and CB participants not subject to PEPRA 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.

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 DB members and CB participants subject to PEPRA are not eligible for the Replacement Benefits Program.

If you have any questions regarding this circular, please contact CalSTRS Employer Services at [EmployerHelp@CalSTRS.com](mailto:EmployerHelp@CalSTRS.com).

Appendix for IRC Section 401(a)(17) Compensation Limit

Federal Calendar Year	CalSTRS Plan Year	Compensation Limit
1996	1996-1997	\$150,000
1997	1997-1998	\$160,000
1998	1998-1999	\$160,000
1999	1999-2000	\$160,000
2000	2000-2001	\$170,000
2001	2001-2002	\$170,000
2002	2002-2003	\$200,000
2003	2003-2004	\$200,000
2004	2004-2005	\$205,000
2005	2005-2006	\$210,000
2006	2006-2007	\$220,000
2007	2007-2008	\$225,000
2008	2008-2009	\$230,000
2009	2009-2010	\$245,000
2010	2010-2011	\$245,000
2011	2011-2012	\$245,000
2012	2012-2013	\$250,000
2013	2013-2014	\$255,000
2014	2014-2015	\$260,000
2015	2015-2016	\$265,000
2016	2016-2017	\$265,000
2017	2017-2018	\$270,000
2018	2018-2019	\$275,000
2019	2019-2020	\$280,000
2020	2020-2021	\$285,000
2021	2021-2022	\$290,000
2022	2022-2023	\$305,000
2023	2023-2024	\$330,000
2024	2024-2025	\$345,000