

**RETIREMENT SERVICES DIVISION MEMORANDUM 2022-02**

**November 22, 2022**

**TO ALL HEADS OF STATE AGENCIES**

<b>ATTENTION:</b>	<b>All Personnel and Payroll Officers</b>
<b>SUBJECT:</b>	<b>ALTERNATE RETIREMENT PROGRAM (ARP) COMPENSATION AND CONTRIBUTION LIMITS FOR 2023</b>

**I. INTRODUCTION**

The Internal Revenue Code (IRC) establishes limits on the amount that may be contributed to the Alternate Retirement Program (ARP) in any given year. It also imposes a limit on the amount of a participant's annual compensation that may be taken into account for purposes of calculating the participant's contributions to the ARP. These limits are set each year by the federal government's Internal Revenue Service (IRS). The IRS has announced the compensation and contribution limits that will affect the ARP for the 2023 calendar year.

The purpose of this memorandum is to provide agencies with information about (1) the revised annual compensation limit under IRC, Section 401(a) (17); (2) the revised contribution limit under IRC, Section 415(c); and (3) the required administrative procedures to ensure proper compliance.

**II. ARP COMPENSATION LIMIT**

Section 401(a)(17) of the IRC provides that the amount of an employee's annual compensation which may be considered for purposes of calculating contributions to ARP may not exceed a limit that is set annually by the IRS. This rule was created by the Omnibus Budget Reconciliation Act of 1993 (OBRA 93).

Employees who became participants of ARP before January 1, 1996, are not subject to the OBRA 1993 annual compensation limit.

Employees who became participants in ARP on or after January 1, 1996, are subject to the compensation limit.

**For calendar year 2023, the compensation limit (cap) has increased to \$330,000.00**

### III. ARP CONTRIBUTION LIMIT

Section 415 of the IRC imposes a separate limit on the total dollar amount that the employee and the employee may contribute to the ARP in a single year. All ARP participants are subject to this contribution limit, regardless of when their participation in the ARP commenced.

**For the 2023 calendar year, the combined contribution limit has increased to the lesser of either (i) \$66,000 or (ii) 100% of the participant's covered compensation.**

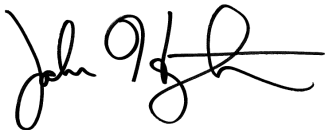
### IV. ADMINISTRATIVE PROCEDURES

1. It is the obligation of each agency's payroll department to ensure compliance with the compensation limit for affected ARP participants and the contribution limit for all ARP participants.
2. The agency's payroll department must stop contributions to ARP when either the compensation limit or contribution limit is met. The agency must resume the required contributions with the first payroll check dated in the next calendar year.

### V. CONCLUSION

The Retirement Services Division will keep agencies informed of the maximum compensation and contribution limits for ARP participants. Any questions concerning this memorandum may be directed to the Agnes Gajowiak, Retirement and Benefit Systems Coordinator, at [agnes.gajowiak@ct.gov](mailto:agnes.gajowiak@ct.gov) or [DeferredCompPlans@ct.gov](mailto:DeferredCompPlans@ct.gov).

Very truly yours,

A handwritten signature in black ink, appearing to read "John W. Herrington". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John W. Herrington, Director  
Retirement Services Division