



RETIREMENT SERVICES DIVISION MEMORANDUM 2023-23

November 22, 2023

TO ALL HEADS OF STATE AGENCIES

ATTENTION: All Personnel and Payroll Officers

**SUBJECT: ALTERNATE RETIREMENT PROGRAM (ARP) COMPENSATION
AND CONTRIBUTION LIMITS FOR 2024**

I. INTRODUCTION

Section 415(c) of the Internal Revenue Code (IRC) establishes limits on the amount that may be contributed to the Alternate Retirement Program (ARP) in any given year. Section 401(a)(17) of the Code imposes a limit on the amount of a participant's annual compensation that may be considered 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 2024 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 the 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 the ARP before January 1, 1996, *are not* subject to the OBRA 1993 annual compensation limit.

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

For calendar year 2024, the compensation limit (cap) has increased to \$345,000.00.

III. ARP CONTRIBUTION LIMIT

Section 415 of the IRC imposes a separate limit on the total dollar amount that the employee and the employer 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 2024 calendar year, the combined contribution limit has increased to the lesser of either (i) \$69,000 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 the ARP when either the compensation limit or the 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 or DeferredCompPlans@ct.gov.

Very truly yours,



John W. Herrington
Director