



RETIREMENT SERVICES DIVISION MEMORANDUM 2025-1

January 7, 2025

TO ALL HEADS OF STATE AGENCIES

ATTENTION: All Personnel and Payroll Officers

**SUBJECT: ALTERNATE RETIREMENT PROGRAM (ARP) COMPENSATION
AND CONTRIBUTION LIMITS FOR 2025**

I. Introduction

Section 415(c) of the Internal Revenue Code (IRC) establishes limits on the amount that a participant may contribute 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 2025 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 limits the amount of an employee's annual compensation that may be considered for purposes of calculating contributions to the ARP.

Employees who first became participants of the ARP before January 1, 1996, *are not* subject to the 401(a)(17) compensation limit.

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

For calendar year 2025, the compensation limit (cap) has increased to \$350,000.00.

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 2025 calendar year, the combined contribution limit has increased to the lesser of either (i) \$70,000 or (ii) 100% of the compensation from which a participant's contributions are made.

IV. Administrative Procedures

Our system has been improved to suspend contributions automatically when an employee's compensation limit or contribution limit has been reached. Manual intervention should no longer be needed.

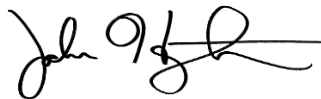
Each agency's payroll department must monitor the new Savings Plans Page to confirm that contributions to the ARP have been suspended when either the compensation limit or the contribution limit has been met.

Similarly, if an employee's contributions have been suspended in one calendar year, the agency will **no longer be required** to re-instate contributions for the following year. Nevertheless, payroll departments should confirm that contributions have resumed with the first payroll check dated in the next calendar year. Each agency's payroll department still has primary responsibility to ensure compliance with both limits.

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 DeferredCompPlans@ct.gov.

Very truly yours,



John W. Herrington
Director