**SB 1049 - Limitation on Annual Subject Salary - “Partial year” limit proration. Effective 01/01/2020.**

**General Salary Limit Information:**

The amount of annual subject salary that may be considered in determining employee contributions to the OPSRP IAP member account, employer contributions and in calculating final average salary (FAS) for both PERS Chapter 238 and 238A Programs may not exceed the annual salary limit. (SB 1049 (2019); ORS 238.005(26)(c)(M); ORS 238A.005(17)(c)(M); OAR 459-005-0525)

Once the annual salary limit is reached, any additional salary above the salary limit in the calendar year will be reported as non-subject salary.

The salary limit is $195,000 for calendar year 2020. The PERS Board will increase or decrease the amount of the salary limitation on January 1 of each year, to reflect any percentage changes in the Consumer Price Index.

**Partial Year Salary Limit Proration:**

If any calendar year over which salary is determined has less than 12 months of active membership, the SB 1049 salary limit for that “determination period” shall be multiplied by a fraction, the denominator of which is always 12, the numerator of which is the number of months of active membership in a single calendar year. Do not prorate any partial months. Any month that has active membership is counted as a month in the numerator.

If a member terminates employment in December of a calendar year but receives a final paycheck in January of the following calendar year, for the purpose of determining FAS and IAP contributions, the salary paid in January will be included in calculating the salary limit for the calendar year of termination.

**Example 1: Full Year**

An existing member is employed 09/01/2019 in an active position. Member terminates 12/10/2020. Because the member is employed part of December, the month is included as month of active membership.

The member is employed in an active position for 12 months and will be subject to the annual salary limitation. The prorated limit will not apply.

**Example 2: Less than 12 months of active employment**

An existing member is hired with an employer on 02/29/2020 in a qualifying position and subsequently terminates employment on 08/03/2020. The member has seven months of active membership during the 2020 calendar year.

|  |  |
| --- | --- |
| Seven months of active membership in 2020 | 7 months |
| Divided by 12 months | ÷ 12 months |
| Proration factor for salary limitation | .583333 |
| 2020 Annual Salary Limitation |  x $195,000 |
| Prorated salary limitation | $ 113,749.94 |
|  |  |
| $113,749.94 for 2020 will be the salary limit used for employee and employer contributions and FAS for this member. |  |

**Example 3: Contribution Start Date**

A new member is employed 12/10/2019 in a qualifying position and continues to work all of 2020 and into the next year. The contributions start date (CSD) is 07/01/2020.

The member has six months of active membership for 2020 due to establishing membership on 07/01/2020.

|  |  |  |
| --- | --- | --- |
| Six months of active membership in 2020 | 6 months |  |
| Divided by 12 months | ÷ 12 months |  |
| Proration factor for salary limitation | 0.50 |  |
| 2020 Annual Salary Limitation | x $195,000 |  |
| Prorated salary limitation | $ 97,500 |   |
|  |  |  |
| $97,500 for 2020 will be the salary limit used for employee and employer contributions and FAS for this member. |  |  |

**Example 4: Partial year and December termination**

An existing member is employed with and employer in a qualifying position from 08/25/2020 and subsequently terminates employment o 12/15/2020. The member receives their final pay check on 01/15/2021. The member has five months of active membership.

|  |  |
| --- | --- |
| Five months of active membership in 2020 | 5 months |
| Divided by 12 months | ÷ 12 months |
| Proration factor for salary limitation | 0.416667 |
| 2020 Annual Salary Limitation | x $195,000 |
| Prorated salary limitation for 2020 | $ 81,250.07 |
| The salary paid on 01/15/2021 will be included with the member’s 2020 salary for calculating FAS and is subject to the 2020 annual salary limit. |  |

The salary paid on 01/15/2021 will be included with the member's 2020 salary for the IAP contribution calculation and is subject to the 2020 annual salary limit.