

State of California

**M E M O R A N D U M**

To: PERSONNEL MANAGEMENT LIAISONS

Date: September 24, 1990  
Reference Code: 90-39

**THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:**

Personnel Officers  
Labor Relations Officers

From: Department of Personnel Administration  
Office of the Director

Subject: Internal Revenue Code Limits on Benefits


On December 15, 1989, we asked your personnel officers to ensure that all employees hired on and after January 1, 1990, be given notices which would explain how their retirement benefits might be limited by federal tax law. In that memorandum (copy attached for reference), we indicated we would keep you apprised of further developments as information became available. We would like to bring you up to date on this issue.

At the State level, Senator Russell authored SB 2373 (Chapter 798, Statutes of 1990), which would bring the retirement plan into conformity with federal provisions and establish a method of replacing certain retirement benefits for new employees who might be affected by the federal limits. This urgency bill was signed by the Governor on September 13, 1990. Because of the complexity of federal tax law in this area, it will be at least several months until the Public Employees' Retirement System is able to give employees the program details.

At the federal level, legislation has been introduced which would change the limits and make certain features of the State's retirement plan exempt from the limits imposed by the federal law. At this time, we do not know whether the legislation will be successful and what final form it may take.

For now, it will be necessary to continue giving all new employees the notice this department and the Public Employees' Retirement System had prepared about the federal limits on retirement benefits. We shall advise you as more information becomes available.

Please contact Oscar Alarcon of my staff at (916) 324-0523 or ATSS 454-0523 if you would like additional information on the bills.

  
David J. Tirapelle  
Director

Attachment

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**DEPARTMENT OF PERSONNEL ADMINISTRATION**

OFFICE OF THE DIRECTOR

1515 "S" STREET, NORTH BUILDING, SUITE 400

POST OFFICE BOX 944234

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December 15, 1989

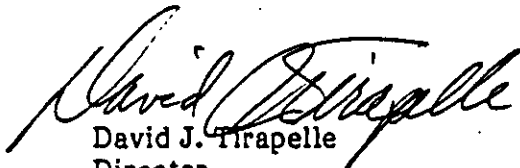
**TO: ALL PERSONS FIRST BECOMING STATE EMPLOYEES AND MEMBERS OF THE PERS RETIREMENT SYSTEM AFTER DECEMBER 31, 1989.**

**RE: INTERNAL REVENUE CODE LIMITS ON BENEFITS**

This notice contains important information regarding how your pension benefit rights and level of participation in deferred compensation plans and other benefit plans sponsored by the State of California may be affected by recent changes in federal tax laws found in the Internal Revenue Code (IRC). The Public Employees' Retirement System (PERS), under which the majority of State employees are covered, has prepared the statement on the reverse side of this notice that describes how your potential annual retirement benefits may be limited after 1989. Please read this notice carefully.

Also, the IRC prescribes limits on the amount of pre-tax contributions you may make to voluntary salary deferral plans sponsored by the State including the 401(k) Thrift Plan, the 457 Deferred Compensation Plan, the 403(b) Tax-Sheltered Annuity Plan, the Annuity Trust Fund of the International Union of Operating Engineers, and the Flexible Benefit Spending Accounts. These programs and limits are described in pamphlets you may obtain from any personnel office. These program limits may also be affected by the new IRS regulations. However, there are no changes to the eligibility/limits of these programs at the current time. You will be provided with new information as soon as it becomes available. We expect this to be in the spring of 1990.

Best wishes for your employment opportunity with the State.

  
David J. Tirapelle  
Director

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