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> **2026 Compensation Limits for Classic and PEPRA Members**

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January 2, 2026

Circular Letter: 200-001-26

Topic: Payroll

To: All CalPERS Employers

Purpose

The purpose of this Circular Letter is to inform you of the 2026 compensation limits for classic and Public Employees' Pension Reform Act (PEPRA) members, and to provide guidelines for reporting payroll when Internal Revenue Code (IRC) or PEPRA limits have been reached during the calendar year. IRC section 401(a)(17) provides an annual compensation limit considered under a qualified retirement plan for some classic members. Government (Gov.) Code section 7522.10 of the PEPRA law provides the authority for the earnings limit for all PEPRA members.

You should notify all classic or PEPRA members who are subject to the compensation limit requirements.

Compensation Limits

Classic Members

The compensation limit for classic members for the **2026 calendar year is \$360,000**. Employees with membership dates prior to July 1, 1996, are not impacted by these limits.

Compensation limits for classic members during calendar years 2022 through 2025:

Year	Compensation Limit
2025	\$350,000
2024	\$345,000
2023	\$330,000
2022	\$305,000

PEPRA Members

Compensation limit for PEPRA members for the **2026 calendar year**:

- **Social Security Participants:** \$159,733
- **Non-Social Security Participant:** \$191,679

Compensation limits for PEPRA members during calendar years 2022 through 2025:

Year	Social Security Participants	Non-Social Security Participants
2025	\$155,081	\$186,096
2024	\$151,446	\$181,734
2023	\$146,042	\$175,250
2022	\$134,974	\$161,969

Reporting Guidelines

Compensation limits for both classic and PEPRA members do not limit the salary an employer can pay; they limit the amount of

compensation that can be considered under the defined benefit plan.

The following compensation must be reported to us:

- Compensation earnable for classic members
- Pensionable compensation for PEPRA members

For classic and PEPRA members, contributions should not be made on compensation that exceeds the limit for each calendar year. All contributions should be reported as earned and **not** when paid.^{footnote1} In addition, you should exclude items such as overtime, automobile allowances, and lump-sum payouts for all compensation reported.

You are responsible for monitoring when an employee meets or exceeds the limit. Once an employee reaches the compensation limit, you must continue reporting compensation as earned; however, employer and employee contributions should not be reported for the remaining calendar year. myCalPERS will track classic and PEPRA member earnings over multiple CalPERS contracting agencies. Therefore, if a member is hired in the middle of the year from another CalPERS agency, myCalPERS will notify the current employer when the member reaches or exceeds the compensation limit. Monitoring and contribution reporting begin on January 1 of the calendar year. The end date of the payroll earned period determines in which calendar year the period falls.

Federal law does not permit us to refund over-reported contributions to an active CalPERS member. You must report these adjustments and refund the money to the employee once the adjustments have posted.

Impact on Final Compensation


For classic members, final compensation is the highest average annual compensation earnable for a 12- or 36-consecutive-month employment period, depending on your contract.

Classic members' retirement allowances are subject to final compensation limits under IRC section 401(a)(17). The calculation of each 12-month period will be subject to the annual compensation limit in effect for the calendar year in which the 12-month period begins. If final compensation exceeds 12 months, each 12-month period is calculated based on the applicable annual compensation limit for that 12-month period.

For PEPRA members, final compensation is the average annual pensionable compensation for a 36-consecutive-month employment period.

PEPRA members' retirement allowances are subject to pensionable compensation limits under Gov. Code section 7522.10. The pensionable compensation limit — used to calculate final compensation — is calculated based on the limit in effect for each calendar year and the number of days per year included in the final compensation period.

Online Training & Resources

The myCalPERS Payroll: Reporting Earnings Over the Compensation Limit self-paced online class is available for employers. This class provides instruction on how to report payroll information when the compensation limit has been reached. To enroll in the class, log in to your [myCalPERS](#)  business partner account and select the **Education** tab.

The Reported Compensation by Calendar Year Cognos reports can be used to identify and track employees nearing the compensation limits.

Questions

If you have questions, call our CalPERS Customer Contact Center at **888 CalPERS** (or [888-225-7377](tel:888-225-7377)).

Brad Hanson, Chief
Employer Account Management Division

¹Pursuant to Gov. Code section 20630, when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.

Updated: December 2, 2025



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