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IRS Publishes 2024 Pension Plan Limitations

The IRS recently announced the cost-of-living adjustments applicable to certain dollar limitations for employee pension benefit plans for 2024. The resulting dollar limits are as follows:

- The annual benefit limit for defined benefit plans is increased from $265,000 to $275,000.
- The annual addition limit for defined contribution plans is increased from $66,000 to $69,000.
- The annual limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457(b) plan is increased from $22,500 to $23,000. The dollar limit for age 50 catch-up contributions to a 401(k), 403(b) or government 457(b) plan remains unchanged at $7,500.
- The limit on annual contributions to an individual retirement arrangement (IRA) is increased from $6,500 to $7,000. The dollar limit for age 50 catch-up contributions to an IRA remains unchanged at $1,000.
- The limit on annual contributions to SIMPLE plans and SIMPLE IRAs is increased from $15,500 to $16,000. The dollar limit for age 50 catch-up contributions to SIMPLE plans and SIMPLE IRAs remains unchanged at $3,500.
- The annual limit on compensation that can be taken into account under a qualified retirement plan is increased from $330,000 to $345,000.
- The dollar limit for defining key employees in a top-heavy plan is increased from $215,000 to $220,000.
- The dollar amount for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a five-year distribution period is increased from $1.330 million to $1.380 million. The dollar amount used to determine the lengthening of the five-year distribution period is increased from $265,000 to $275,000.
- The limitation used in the definition of "highly compensated employee" is increased from $150,000 to $155,000.

A complete list of applicable pension plan limitations can be found here. If you have any questions about the cost-of-living adjustments or any other employee benefits or executive compensation matter, please contact a member of Day Pitney's Employee Benefits and Executive Compensation practice group.

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