November 9, 2010

Internal Revenue Service Publishes 2011 Pension Plan Limitations

On October 28, 2010, the IRS announced cost-of-living adjustments applicable to certain dollar limitations for employee pension benefit plans for 2011. In general, the limits either remain unchanged from or reflect modest inflation adjustments over 2010:

- The annual benefit limit for defined benefit plans remains unchanged at $195,000.
- The annual addition limit for defined contribution plans remains unchanged at $49,000.
- The Section 402(g) limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457 plan remains unchanged at $16,500.
- The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D) remains unchanged at $245,000.
- The dollar limit for key employees in a top-heavy plan under Section 416(i)(1)(A) remains unchanged at $160,000.
- The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan ("ESOP") subject to a five-year distribution period remains unchanged at $985,000. The dollar amount used to determine the lengthening of the five-year distribution period remains unchanged at $195,000.
- The dollar limit for catch-up contributions for anyone 50 and older under Section 414(v)(2)(B)(i) remains unchanged at $5,500, while the limit applicable to those participants under plans subject to Section 414(v)(2)(B)(ii) (i.e., to SIMPLE plans and retirement accounts) remains unchanged at $2,500.
- The annual compensation limit under Section 401(a)(17) for eligible participants in governmental plans that allowed cost-of-living adjustments to be taken into account for purposes of Section 401(a)(17) remains unchanged at $360,000.
- The annual deductible IRA contribution limit remains unchanged at $5,000.
- The additional deductible IRA catch-up contribution remains unchanged at $1,000.
- A complete list of applicable pension plan limitations can be found on the IRS website at http://www.irs.gov/newsroom/article/0,,id=229975,00.html