November 7, 2019

# IRS Publishes 2020 Pension Plan Limitations

IRS recently announced the cost-of-living adjustments applicable to certain dollar limitations for employee pension benefit plans for 2020. The resulting dollar limits are as follows:

- The annual benefit limit for defined benefit plans is increased from $225,000 to $230,000.
- The annual addition limit for defined contribution plans is increased from $56,000 to $57,000.
- The annual limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457(b) plan is increased from $19,000 to $19,500.
- The limit on annual contributions to an individual retirement arrangement (IRA) remains unchanged at $6,000. The dollar limit for an additional catch-up contribution to an IRA for individuals age 50 or older remains unchanged at $1,000.
- The annual limit on compensation that can be taken into account under a qualified retirement plan is increased from $280,000 to $285,000.
- The dollar limit for defining key employees in a top-heavy plan is increased from $180,000 to $185,000.
- 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 $1.105 million to $1.150 million. The dollar amount used to determine the lengthening of the five-year distribution period is increased from $225,000 to $230,000.
- The dollar limit for catch-up contributions for 401(k) plans for individuals age 50 or older is increased from $6,000 to $6,500. In addition, the dollar limit under SIMPLE plans and SIMPLE IRAs for catch-up contributions for participants who are age 50 or older remains unchanged at $3,000.
- The limitation used in the definition of “highly compensated employee” is increased from $125,000 to $130,000.

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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