November 15, 2017

IRS Publishes 2018 Pension Plan Limitations

The IRS recently announced the cost-of-living adjustments applicable to certain dollar limitations for employee pension benefit plans for 2018:

- The annual benefit limit for defined benefit plans is increased from $215,000 to $220,000.
- The annual addition limit for defined contribution plans is increased from $54,000 to $55,000.
- The annual limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457 plan is increased from $18,000 to $18,500.
- The limit on annual contributions to an individual retirement arrangement (IRA) remains unchanged at $5,500. 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 $270,000 to $275,000.
- The dollar limit for defining key employees in a top-heavy plan remains unchanged at $175,000.
- 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 $1.08 million to $1.105 million. The dollar amount used to determine the lengthening of the five-year distribution period is increased from $215,000 to $220,000.
- The dollar limit for catch-up contributions for 401(k) plans for individuals age 50 or older remains unchanged at $6,000. 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" remains unchanged at $120,000.

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 matters, please contact a member of Day Pitney's Employee Benefits and Executive Compensation practice group.

Authors



David P. Doyle
Partner

Parsippany, NJ | (973) 966-8136

ddoyle@daypitney.com



Thomas F. J. O'Mullane
Partner

Parsippany, NJ | (973) 966-8413

tomullane@daypitney.com