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IRS Publishes 2021 Pension Plan Limitations

The IRS recently announced the cost-of-living adjustments applicable to certain dollar limitations for employee pension benefit plans for 2021. The resulting dollar limits are as follows:

- The annual benefit limit for defined benefit plans remains unchanged at $230,000.
- The annual addition limit for defined contribution plans is increased from $57,000 to $58,000.
- The annual limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457(b) plan remains unchanged at $19,500. The dollar limit for age 50 catch-up contributions to a 401(k), 403(b) or government 457(b) plan remains unchanged at $6,500.
- The limit on annual contributions to an individual retirement arrangement (IRA) remains unchanged at $6,000. 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 remains unchanged at $13,500. The dollar limit for age 50 catch-up contributions to SIMPLE plans and SIMPLE IRAs remains unchanged at $3,000.
- The annual limit on compensation that can be taken into account under a qualified retirement plan is increased from $285,000 to $290,000.
- The dollar limit for defining key employees in a top-heavy plan remains unchanged at $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 $1.150 million to $1.165 million. The dollar amount used to determine the lengthening of the five-year distribution period remains unchanged at $230,000.
- The limitation used in the definition of "highly compensated employee" remains unchanged at $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 matters, please contact a member of Day Pitney's Employee Benefits and Executive Compensation practice group.

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