October 23, 2015

IRS Publishes 2016 Pension Plan Limitations

On October 21, the IRS announced that the cost-of-living adjustments applicable to certain dollar limitations for employee pension benefit plans for 2016 will not result in an increase in the limits. The resulting dollar limits are as follows:

- The annual benefit limit for defined benefit plans remains unchanged at $210,000.
- The annual addition limit for defined contribution plans remains unchanged at $53,000.
- The annual limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457 plan remains unchanged at $18,000.
- The annual 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 aged 50 and over remains unchanged at $1,000.
- The annual limit on compensation that can be taken into account under a qualified retirement plan remains unchanged at $265,000.
- The dollar limit for defining key employees in a top-heavy plan remains unchanged at $170,000.
- The dollar amount for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a five-year distribution period remains unchanged at $1,070,000. The dollar amount used to determine the lengthening of the five-year distribution period remains unchanged at $210,000.
- The dollar limit for catch-up contributions for 401(k) plans for individuals aged 50 and over remains unchanged at $6,000. In addition, the dollar limit under SIMPLE plans and SIMPLE IRAs for catch-up contributions for participants who are aged 50 and over remains unchanged at $3,000.
- The limitation used in the definition of a 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 matter, please contact a member of Day Pitney's Employee Benefits and Executive Compensation group.

Authors



David P. Doyle

Partner

Parsippany, NJ | (973) 966-8136

ddoyle@daypitney.com