October 19, 2012

IRS Publishes 2013 Pension Plan Limitations

Yesterday the IRS announced cost-of-living adjustments applicable to certain dollar limitations for employee pension benefit plans for 2013:

- The annual benefit limit for defined benefit plans is increased from $200,000 to $205,000.
- The annual addition limit for defined contribution plans is increased from $50,000 to $51,000.
- The Section 402(g) limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457 is increased from $17,000 to $17,500.
- The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii) is increased from $250,000 to $255,000.
- The dollar limit for defining key employees in a top-heavy plan under Section 416(i)(1)(A)(i) remains unchanged at $165,000.
- 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 is increased from $1,015,000 to $1,035,000. The dollar amount used to determine the lengthening of the five-year distribution period is increased from $200,000 to $205,000.
- The dollar limit under Section 414(v)(2)(B)(i) for catch-up contributions for anyone 50 or older 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 allow cost-of-living adjustments to be taken into account for purposes of Section 401(a)(17) is increased from $375,000 to $380,000.
- The limitation used in the definition of "highly compensated employee" under Section 414(q)(1)(B) remains unchanged at $115,000.
- A complete list of applicable pension plan limitations can be found by clicking 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 group.