

For 2010, IRS Dollar Limits and Social Security Wage Base Unchanged; Only PBGC Single Employer Premium to Increase, No Change in PBGC Guarantee Limit Anticipated

This *Bulletin* reports indexed figures for 2010 that are of interest to sponsors of retirement plans.

IRS RETIREMENT PLAN LIMITS

The 2010 Internal Revenue Service (IRS) dollar limits for qualified plans and other tax-favored retirement plans are determined using consumer price index (CPI) data released on October 15, 2009. Because the CPI did

not increase from the third quarter of 2008 to the third quarter of 2009 (it declined), the IRS dollar limits will not change in 2010, as shown in the table below. The press release announcing the 2010 limits is on the following page of the IRS Web site: <http://www.irs.gov/newsroom/article/0,,id=214321.00.html>

SOCIAL SECURITY FACTORS

No increase in the CPI also means the Social Security wage base and earnings test will not change in 2010. The Social Security Administration (SSA) information about the 2010 Social Security wage base is on the following page of the SSA Web site: <http://www.ssa.gov/pressoffice/factsheets/colafacts2010.pdf> The table on the next page of this *Bulletin* shows the dollar tests and limits for Social Security benefits for 2010 in bold type alongside the 2009 figures.

IRS RETIREMENT PLAN LIMITS

| | 2009 | 2010 |
|---|-----------|------------------|
| Maximum Annual \$415 Payout at Age 62 from a Defined Benefit Plan* | \$195,000 | Unchanged |
| Maximum Annual Contribution to an Individual's Defined Contribution Account under §415(c) | 49,000 | Unchanged |
| Maximum Elective §401(k) and §403(b) Deferrals | 16,500 | Unchanged |
| §457 Deferral Limit | 16,500 | Unchanged |
| §401(k) and §403(b) Catch-Up Limit for Individuals Age 50 and Older | 5,500 | Unchanged |
| Maximum Amount of Annual Compensation that Can Be Taken into Account for Determining Benefits or Contributions under a Qualified Plan | 245,000 | Unchanged |
| §414(q) Test to Identify Highly Compensated Employees | 110,000 | Unchanged |
| Compensation Limit under §401(a)(17) for Public Sector Plans that Were Able to Grandfather the Old Dollar Limit | 360,000 | Unchanged |
| Cost-of-Living Adjustment (COLA) for the 100 Percent-of-Pay Limit under §415 | 5.30% | None |

* There are late-retirement adjustments for benefits starting after age 65.

SOCIAL SECURITY BENEFIT TESTS AND LIMITS

| | 2009 | 2010 |
|---|---------------------------|-----------------------------------|
| Wage Base: | | |
| a) for Social Security Tax | \$106,800 | Unchanged |
| b) for Medicare | No Limit | Unchanged |
| COLA Increase | 5.8% | None |
| Social Security National Average Wage Index ¹ | \$40,405.48 (for 2007) | \$41,334.97 (for 2008) |
| Primary Insurance Amount (PIA) Formula: ² | | |
| a) First Bend Point | \$744 | \$761 |
| b) Second Bend Point | \$4,483 | \$4,586 |
| Maximum Social Security Benefit at Social Security Normal Retirement Age (SSNRA) ³ | \$2,323/ month | \$2,346/ month |
| Earnings Test – Early Retirement (Age 62) (Amount that Can Be Earned before Benefits Are Cut) ⁴ | \$14,160/ year | Unchanged |

¹ This amount is not tied to the CPI, but rather to earnings as reported to the SSA. See <http://www.ssa.gov/OACT/COLA/AWI.html>

² PIA formula "bend points" are updated each year to reflect changes in the National Average Wage Index. See <http://www.ssa.gov/OACT/COLA/bendpoints.html> and <http://www.ssa.gov/OACT/COLA/piaformula.html>

³ The maximum Social Security benefit at SSNRA is not tied to the CPI. It is based on the PIA formula (reflecting updated bend points) where a worker's earnings are at the maximum taxable amount for their career. For a worker born in 1943 through 1954, the SSNRA is age 66. See <http://www.ssa.gov/OACT/ProgData/nra.html>

⁴ In the year of attaining SSNRA, the early retirement earnings test is higher. In 2010, it will be the same as in 2009: \$37,680/year (\$3,140/month). After attaining SSNRA, individuals can receive their full benefits regardless of how much they earn.

PBGC PREMIUMS AND GUARANTEE LIMIT

Starting in 2007, Pension Benefit Guaranty Corporation (PBGC) per capita premiums were subject to annual adjustments based on the change in the Social Security National Average Wage. For 2010, the per capita flat-rate premium for single employer plans will increase to \$35 from \$34, and the per capita flat-rate premium for multiemployer plans will be unchanged from 2009 at \$9. The PBGC announcement is on the following Web page: <http://www.pbgc.gov/practitioners/whatsnew.html>

The PBGC has not yet released its monthly maximum guarantee for 2010, but because there was no change in the "old law Social Security wage base" (\$79,200), Sibson does not expect the maximum benefit guaranteed by the PBGC under private-sector single employer pension plans that terminate during 2010 to change from the 2009 level: \$4,500 per month. The multiemployer guarantee is not indexed.

When the PBGC confirms that its monthly maximum guarantee for 2010 has not changed, the information should be available on the following page of the PBGC Web site: <http://www.pbgc.gov/workers-retirees/find-your-pension-plan/content/page789.html>



If you would like additional information about any of these items, please contact your Sibson consultant or the Sibson office nearest you.

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