

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), Segal 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 Segal consultant or the Segal office nearest you.



ATLANTA	678.306.3100
BOSTON	617.424.7300
CALGARY	403.692.2264
CHICAGO	312.984.8500
CLEVELAND	216.687.4400
DENVER	303.714.9900
HARTFORD	860.678.3000
HOUSTON	713.664.4654
LOS ANGELES	818.956.6700
MINNEAPOLIS	952.857.2480
MONTREAL	514.989.3735
NEW ORLEANS	504.483.0744
NEW YORK	212.251.5000
PHILADELPHIA	215.854.4017
PHOENIX	602.381.4000
PRINCETON	609.520.2700
RALEIGH	919.233.1220
SAN FRANCISCO	415.263.8200
TORONTO	416.969.3960
WASHINGTON	202.833.6400

www.segalco.com