Segal Consulting

update

Compliance News for Multiemployer Plans

October 27, 2015

For 2016, No Increases in IRS Dollar Limits and Most Social Security Figures, but the PBGC Premium for Multiemployer Plans Will Increase by $1.00

This *Update* reports indexed Internal Revenue Service (IRS) and Social Security figures for 2016 that are of interest to retirement plan sponsors. It also includes the expected 2016 Pension Benefit Guaranty Corporation (PBGC) premium rate for multiemployer plans.

IRS Retirement Plan Limits

The 2016 IRS dollar limits for qualified plans and other tax-favored retirement plans are determined using the Consumer Price Index (CPI) data released on October 15, 2015. According to the Bureau of Labor Statistics, the CPI for All Urban Consumers (CPI-U) over the 12 months that ended September 30, 2015, was "essentially unchanged." No increase in the CPI-U means that the IRS dollar limits will not increase for 2016. The press release is on the IRS website. The table below compares some of the 2016 limits to those limits for 2015.

Retirement Compliance News Highlights:

- IRS retirement plan limits will not increase for 2016.
- Social Security benefits will not increase for 2016.
- The PBGC premium for multiemployer plans will increase slightly.

IRS Retirement Plan Limits	2015	2016
Maximum §415(b) Annual Payout at Age 62 from a Defined Benefit Plan[1]	$210,000	Unchanged
Maximum §415(c) Annual Addition to a Defined Contribution Plan Account	53,000	Unchanged
Annual Elective §401(k) and §457(b) Deferral Limit	18,000	Unchanged
Annual §401(k) Catch-Up Limit (Age 50 and Older)	6,000	Unchanged
Maximum §401(a)(17) Annual Compensation Amount Considered for Qualified Plans	265,000	Unchanged
Annual §414(q) Compensation Threshold to Identify Highly Compensated Employees	120,000	Unchanged
Annual §416 Top-Heavy Compensation Threshold to Identify Key Employees	170,000	Unchanged

[1] There are late-retirement adjustments for benefits starting after age 65.

Social Security Benefits

Social Security benefits increase automatically if inflation, as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), increases from the third quarter of the last year to the third quarter of the current year. Because there was no increase in the CPI-W from the third quarter of 2014 to the third quarter of 2015, there will be no cost of living adjustment (COLA) 2016. The Social Security wage base and earnings test will also not change for 2016. A press release on this news and a fact sheet on 2016 Social Security figures are on the Social Security Administration (SSA) website. The table below shows which 2016 figures will differ from 2015 figures and which will be unchanged.

Social Security Benefit Tests and Limits	2015	2016
Wage Base for Social Security Tax[1]	$118,500	Unchanged
COLA Increase	1.7%	None
Social Security National Average Wage Index[2]	$44,888.16 (for 2013)	$46,481.52 (for 2014)
Primary Insurance Amount (PIA) Formula:[3] a) First Bend Point b) Second Bend Point	$826 $4,980	$856 $5,157
Maximum Social Security Benefit at Social Security Normal Retirement Age (SSNRA)[4]	$2,663/Month	$2,639/Month
Earnings Test — Early Retirement (Age 62) (Amount that Can Be Earned before Benefits Are Cut)[5]	$15,720/Year	Unchanged

[1] There is no wage base limit for Medicare.

[2] This amount is not tied to the CPI-W, but rather to earnings as reported to the SSA. The 2014 average (which is relevant for 2016) and background can be found on the SSA website.

[3] PIA formula "bend points" are updated each year to reflect changes in the National Average Wage Index. The 2016 bend points can be found on the SSA website.

[4] 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 his or her career. For workers born in 1943-1954, the SSNRA is age 66. Information on how SSNRA varies by birth year is on the SSA website. **A decrease in full maximum benefits, as will happen in 2016, occurs when there is no COLA, but there is an increase in the national average wage index.**

[5] In the year of attaining SSNRA, the early retirement earnings test is higher. In 2016, it will be the same as in 2015: $41,880/year ($3,490/month). After attaining SSNRA, individuals can receive their full benefits regardless of how much they earn.

PBGC Premium for Multiemployer Plans

On October 26, 2015, the PBGC updated its "Premium Rates" webpage to show premium rates for 2016.* The flat-rate, per-participant premium for multiemployer plans will be $27 for 2016, up from the $26 premium for 2015, which was set by the Multiemployer Pension Reform Act of 2014.

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* The PBGC's multiemployer guarantee remains unchanged because it is not indexed. There is no dollar limit on the monthly benefit payable under the multiemployer program, only a limit on the benefit rate used to calculate the monthly benefit. The maximum monthly PBGC guarantee is $35.75 per year of service, which means a participant with 30 years of service would receive, at most, a benefit of $1,072.50 per month. For additional information, see the multiemployer benefit guarantees page of the PBGC's website.

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