

update

Certain IRS Dollar Limits and Social Security Figures Will Increase for 2017

This *Update* reports indexed Internal Revenue Service (IRS) limits for 2017 that are of interest to public sector retirement plan sponsors. Because some state and local government employees are covered by Social Security, the *Update* also reports Social Security figures for 2017.

IRS Retirement Plan Limits

The 2017 IRS dollar limits for qualified plans and other tax-favored retirement plans are determined using Consumer Price Index (CPI) data. The latest data, released on October 18, 2016, showed that the CPI for All Urban Consumers (CPI-U) increased 0.3 percent over the 12 months that ended September 30, 2016. Such a small increase in the CPI-U means that some limits increase for 2017 and some do not because of differences in the way increases are calculated for different limits, for example, differences in the rounding rules. The October 27, 2016 [press release](#) is on the IRS website. The table below compares some of the 2017 limits to those limits for 2016.



Retirement Compliance News Highlights:

- Certain IRS retirement plan limits of interest to public sector plan sponsors will increase for 2017.
- Social Security benefits will increase by less than 1 percent for 2017.
- The wage base for Social Security tax will increase by more than 7 percent.

IRS Retirement Plan Limits	2016	2017
Maximum §415(b) Annual Payout at Age 62 from a Defined Benefit Plan ¹	\$210,000	\$215,000
Maximum §415(c) Annual Addition to a Defined Contribution Plan Account	53,000	54,000
Annual Elective §401(k), §403(b) and §457(b) Deferral Limit	18,000	Unchanged
Annual §401(k), §403(b) and §457(b) Catch-Up Limit (Age 50 and Older)	6,000	Unchanged
Maximum §401(a)(17) Annual Compensation Amount Considered for Qualified Plans and §403(b) Plans	265,000	270,000
Maximum §401(a)(17) Annual Compensation Amount Considered for Public Sector Plans That Were Able to Grandfather the Old Dollar Limit ²	395,000	400,000

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

² When the Omnibus Budget Reconciliation Act of 1993 reduced the annual compensation limit from \$200,000 to \$150,000, it allowed public sector plans to avoid applying the reduced compensation limit for grandfathered participants (generally, those who became participants in the plan before January 1, 1996). The 2017 grandfathered amount, as subsequently indexed under §401(a)(17), is shown in the table above.

Social Security Benefits

The Social Security cost of living adjustment (COLA) for 2017 will be 0.3 percent. The Social Security wage base and earnings test will also increase for 2017. A [press release](#) on this news, a [fact sheet](#) on 2017 Social Security figures and [information about how the COLA is calculated](#) are on the Social Security Administration's website. The table below compares the 2017 figures to the 2016 figures.

Social Security Benefit Tests and Limits	2016	2017
Maximum Amount of Earnings Subject to the Social Security Tax ¹	\$118,500	\$127,200
COLA Increase	None	0.3%
Social Security National Average Wage Index ²	\$46,481.52 (for 2014)	\$48,098.63 (for 2015)
Primary Insurance Amount (PIA) Formula: ³		
a) First Bend Point	\$856	\$885
b) Second Bend Point	\$5,157	\$5,336
Maximum Social Security Benefit at Social Security Normal Retirement Age (SSNRA) ⁴	\$2,639/Month	\$2,687/Month
Earnings Test — Early Retirement (Age 62) (Amount that Can Be Earned before Benefits Are Cut) ⁵	\$15,720/Year	\$16,920/Year

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 [2015 average \(which is relevant for 2017\) 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 [2017 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.

⁵ In the year of attaining SSNRA, the early retirement earnings test is higher. In 2017, it will be \$44,880/year (\$3,740/month), up from \$41,880/year (\$3,490/month) in 2016. After attaining SSNRA, individuals can receive their full benefits regardless of how much they earn.

Questions?

For more information about how these new limits and amounts may affect your plan, please contact your Segal consultant or the [Segal office nearest you](#).

Update is Segal Consulting's electronic newsletter summarizing compliance news. *Update* is for informational purposes only and should not be construed as legal advice. It is not intended to provide guidance on current laws or pending legislation. On all issues involving the interpretation or application of laws and regulations, plan sponsors should rely on their attorneys for legal advice.



Segal Consulting is a member of [The Segal Group](#).

To receive *Update* and other Segal publications, [join our email list](#).

Follow us:

