

update

Compliance News for Multiemployer Plans

November 3, 2016

For 2017, Increases in Certain IRS Dollar Limits, Social Security Figures and the PBGC Premium for Multiemployer Plans

This *Update* reports indexed Internal Revenue Service (IRS) and Social Security figures for 2017 that are of interest to sponsors of multiemployer retirement plans. It also includes the 2017 Pension Benefit Guaranty Corporation (PBGC) premium rate for multiemployer plans.

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 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.
- The PBGC premium for multiemployer plans will increase by \$1 dollar.

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) 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	270,000
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	175,000

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

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.

PBGC Premium for Multiemployer Plans

On October 19, 2016, the PBGC updated its "[Premium Rates](#)" webpage to show premium rates for 2017.* The flat-rate, per-participant premium for multiemployer plans will be \$28 for 2017, up from the \$27 premium for 2016.

* 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.

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](#).

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