



Employee Benefits Law Information Memo

October 2009

Electronic Dispatch

[Go to BS&K Employee Benefits Law Home Page](#)

IRS ANNOUNCES 2010 PENSION AND RELATED LIMITATIONS

On October 15, 2009, the Internal Revenue Service announced cost-of-living adjustments applicable to dollar limitations for pension plans and other items beginning January 1, 2010.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. These limitations are adjusted annually to reflect cost-of-living increases. Many other limitations applicable to retirement plans are adjusted at the same time and in the same manner as the Section 415 limit. The amounts to be applied for 2010 are listed below. Also included are the 2009 amounts for comparison purposes.

LIMITATION	2009 AMOUNT	2010 AMOUNT
Maximum Annual Compensation taken into account for determining benefits or contributions to a qualified plan	\$245,000	\$245,000
Basic Elective Deferral Limitation for 401(k), 403(b) and 457(b) Plans	\$16,500	\$16,500
Catch-up Contribution Limit for Persons Age 50 and older in 401(k), 403(b) or SARSEP Plans	\$5,500	\$5,500
Limitation on Annual Additions to a Defined Contribution Plan ¹	\$49,000	\$49,000
Limitation on Annual Benefits from a Defined Benefit Plan ²	\$195,000	\$195,000
Highly Compensated Employee Compensation Threshold ³	\$110,000	\$110,000
SEP Compensation Threshold	\$550	\$550
Social Security Taxable Wage Base for Social Security Tax (6.2%)	\$106,800	\$106,800
For Medicare (1.45%)	No Limit	No Limit
Health Savings Accounts:		
• Individual Contribution Limit	\$3,000	\$3,050
• Family Contribution Limit	\$5,950	\$6,150
• Catch-Up Contributions	\$1,000	\$1,000

¹ In no event may annual additions exceed 100% of a participant's compensation.

² In no event may a participant's annual benefit exceed 100% of the participant's average compensation for the participant's high three years.

³ Generally, an employee is considered "highly compensated" if the employee:

- (a) was a five-percent owner of the employer at any time during the current or preceding year; or
- (b) received compensation from the employer in the preceding year of more than the applicable dollar limit for that year.



If you have any questions about this memorandum, please contact Steve Daley in our Syracuse office (315-218-8237, sdaley@bsk.com) or any of the other members of our Employee Benefits and Executive Compensation Practice Group listed below.

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IMPORTANT AMENDMENT REMINDERS

The Internal Revenue Service ("IRS") is currently accepting determination letter applications for individually-designed qualified retirement plans that are considered "Cycle D" filers under the determination letter application program maintained by the IRS. In general, an individually-designed qualified retirement plan is considered a Cycle D filer if the plan sponsor's federal employer identification number ends in a "4" or a "9" (although certain special rules apply for governmental plans, multiemployer plans, multiple employer plans, and plans maintained by multiple members of the same controlled group that may require or permit a different filing cycle). The deadline for submitting Cycle D plans to the IRS for a determination letter is January 31, 2010. Therefore, sponsors of Cycle D plans should be taking steps now to appropriately amend their individually-designed qualified retirement plans to reflect applicable legal requirements in preparation for the submission of their plans to the IRS for a determination letter.

Individually-designed qualified retirement plans that are submitted during Cycle D must be amended and restated to

reflect the applicable required provisions set forth in the 2008 Cumulative List issued by the IRS in Notice 2008-108. (Each year, the IRS issues a new Cumulative List identifying the legal requirements that must be adopted by plans that are subject to the subsequent remedial amendment cycle.) The 2008 Cumulative List includes changes required by the Economic Growth Tax Relief Reconciliation Act of 2001 ("EGTRRA"), as well as various other pieces of legislation and Treasury guidance that have been issued in recent years.

All qualified retirement plan sponsors, regardless of their remedial amendment cycle, must continue to amend their plans timely to comply with IRS "interim" amendment requirements. Most critically, all qualified plans must be amended to reflect applicable provisions of the Pension Protection Act ("PPA") generally by the last day of the 2009 plan year. For calendar year plans, this means that a PPA amendment must be adopted by December 31, 2009.