

IRS Announces 2012 Pension and Related Limitations

On October 20, 2011, the Internal Revenue Service announced the dollar limitations for pension plans and other items beginning January 1, 2012. Some of the limits, which had been largely unchanged since 2009, are listed below.

LIMITATION	2011 AMOUNT	2012 AMOUNT
Maximum Annual Compensation taken into account for determining benefits or contributions to a qualified plan	\$245,000	\$250,000
Basic Elective Deferral Limitation for 401(k), 403(b) and 457(b) Plans	\$16,500	\$17,000
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	\$50,000
Limitation on Annual Benefits from a Defined Benefit Plan ²	\$195,000	\$200,000
Highly Compensated Employee Compensation Threshold ³	\$110,000	\$115,000
SEP Compensation Threshold	\$550	\$550
Social Security Taxable Wage Base for Social Security Tax (6.2%)	\$106,800	\$110,100
For Medicare Tax (1.45%)	No Limit	No Limit
Health Savings Accounts:		
• Individual Contribution Limit	\$3,050	\$3,100
• Family Contribution Limit	\$6,150	\$6,250
• 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.

Central New York: 315.218.8000 or e-mail:
Mark G. Burgreen mgburgreen@bsk.com
Susan L. Dahline sdahline@bsk.com
Brian K. Haynes bhaynes@bsk.com
Richard D. Hole rhole@bsk.com
Ted Lewkowicz tlewkowicz@bsk.com
Aaron M. Pierce apierce@bsk.com

Capital District: 518.533.3000 or e-mail:
Amelia M. Klein aklein@bsk.com

Long Island: 516.267.6300 or e-mail:
Terry O'Neil toneil@bsk.com

New York City: 646.253.2300 or e-mail:
Michael P. Collins mcollins@bsk.com

Buffalo / Niagara Falls: 716.566.2800 or e-mail:
John C. Godsoe jgodsoe@bsk.com

Rochester Region: 585.362.4700 or e-mail:
James Holahan jholahan@bsk.com

IMPORTANT AMENDMENT REMINDERS

The Internal Revenue Service ("IRS") is currently accepting determination letter applications for individually-designed qualified retirement plans that are considered "Cycle A" filers under the determination letter application program maintained by the IRS. In general, an individually-designed qualified retirement plan is considered a Cycle A filer if the plan sponsor's federal employer identification number ends in a "1" or a "6" (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 A plans to the IRS for a determination letter is January 31, 2012. Therefore, Cycle A filers should be taking steps now to amend their individually-designed qualified retirement plans to reflect applicable legal requirements in preparation for the submission of those plans to the IRS for a determination letter.

Individually-designed qualified retirement plans that are submitted during Cycle A must be amended and restated to reflect the applicable required provisions set forth in the 2010 Cumulative List issued by the IRS in Notice 2010-90. (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 2010 Cumulative List includes changes required by the Pension Protection Act of 2006 and various other pieces of legislation and Treasury guidance that have been issued in recent years.