

### IRS Announces 2016 Pension and Related Limitations

The Internal Revenue Service recently announced the dollar limitations for pension plans and other items beginning January 1, 2016. Some of the limits, which are mostly unchanged from 2015, are listed below.

LIMITATION	2015 AMOUNT	2016 AMOUNT
Maximum Annual Compensation taken into account for determining benefits or contributions to a qualified plan	\$265,000	\$265,000
Basic Elective Deferral Limitation for 401(k), 403(b) and 457(b) Plans <sup>1</sup>	\$18,000	\$18,000
Catch-up Contribution Limit for Persons Age 50 and older in 401(k), 403(b) or SARSEP Plans	\$6,000	\$6,000
Limitation on Annual Additions to a Defined Contribution Plan <sup>2</sup>	\$53,000	\$53,000
Limitation on Annual Benefits from a Defined Benefit Plan <sup>3</sup>	\$210,000	\$210,000
Highly Compensated Employee Compensation Threshold <sup>4</sup>	\$120,000	\$120,000
SEP Compensation Threshold	\$600	\$600
Social Security Taxable Wage Base for Social Security Tax (6.2%) For Medicare Tax (1.45% / 2.35%)	\$118,500 No Limit	\$118,500 No Limit
Health Savings Accounts:		
• Individual Contribution Limit	\$3,350	\$3,350
• Family Contribution Limit	\$6,650	\$6,750
• Catch-Up Contributions	\$1,000	\$1,000
Health Flexible Spending Accounts <sup>5</sup>	\$2,550	\$2,550

<sup>1</sup> This limit and the catch-up limit also apply to Roth (after-tax) contributions under 401(k) and 403(b) plans that permit such contributions.

<sup>2</sup> In no event may annual additions exceed 100% of a participant's compensation.

<sup>3</sup> In no event may a participant's annual benefit exceed 100% of the participant's average compensation for the participant's high three years.

<sup>4</sup> 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.

<sup>5</sup> This limit applies only to voluntary employee salary reduction (pre-tax) contributions.

### Important Amendment Reminders

The Internal Revenue Service (IRS) is currently accepting determination letter applications from sponsors of individually-designed qualified retirement plans that are considered “Cycle E” filers under the determination letter application program maintained by the IRS. In general, the sponsor of an individually-designed qualified retirement plan is considered a Cycle E filer if the plan sponsor’s federal employer identification number ends in a “5” or a “0” (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 Cycle E filers to submit plans to the IRS for a determination letter is January 31, 2016. Therefore, Cycle E 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.

Because the IRS previously announced that the five-year remedial amendment and determination letter cycles for individually-designed retirement plans will be eliminated in 2017, this likely will be the last opportunity for a Cycle E filer to request a favorable determination letter with respect to an on-going individually-designed plan. After the applicable deadline, the IRS will accept a determination letter request with respect to an individually-designed plan only when the plan sponsor requests the plan’s first favorable determination letter, when the plan is terminated, or when other yet-to-be-defined “limited circumstances” apply. For more information on changes in the IRS’s determination letter program, see the [July 2015 Bond Employee Benefits Law Action Memo](#).

If you have any questions about this memorandum, please contact any member of our Employee Benefits and Executive Compensation Practice Group listed below.

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