

IRS Announces 2018 Pension and Related Limitations

The Internal Revenue Service recently announced the dollar limitations for pension plans and other items beginning January 1, 2018. Some of the limits are listed below.

LIMITATION	2017 AMOUNT	2018 AMOUNT
Maximum Annual Compensation taken into account for determining benefits or contributions to a qualified plan	\$270,000	\$275,000
Basic Elective Deferral Limitation for 401(k), 403(b) and 457(b) Plans ¹	\$18,000	\$18,500
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 ²	\$54,000	\$55,000
Limitation on Annual Benefits from a Defined Benefit Plan ³	\$215,000	\$220,000
Highly Compensated Employee Compensation Threshold ⁴	\$120,000	\$120,000
SEP Compensation Threshold	\$600	\$600
Social Security Taxable Wage Base for Social Security Tax (6.2%)	\$127,200	\$128,700
For Medicare Tax (1.45% / 2.35%)	No Limit	No Limit
Health Savings Accounts:		
• Individual Contribution Limit	\$3,400	\$3,450
• Family Contribution Limit	\$6,750	\$6,900
• Catch-Up Contributions	\$1,000	\$1,000
Health Flexible Spending Accounts ⁵	\$2,600	\$2,650

¹ 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.

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

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

⁴ 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.

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

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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