

NJ Office & Mailing Address
632 Norfolk St., Teaneck, NJ 07666
NJ Tel - 201-357-0577
(rings in office & on cell)
Fax - 201-836-4847

NY Office:
345 Seventh Ave., 21 Fl., New York, NY
NY Tel – 212-380-3834
E-mail - cshulman@ebeclaw.com
Admitted in NY & NJ

EBEC (Employee Benefits / Executive Compensation) Law Update

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**2011 Cost-of-Living Adjustments for Pension Plan and Other Limits;
Transportation Fringe Parity Extended One Year by Tax Relief Act**

1. 2011 COLA for Pension Plan Limits Unchanged or Changed Slightly. This morning the IRS announced in [IR-2010-108](#) that because the cost of living for the quarter ending Sept. 30, 2010 was lower than the cost of living in quarter ending Sept. 30, 2008 (although it was slightly higher than the cost of living for quarter ending Sept. 30, 2009), the pension plan limits for 2011 adjusted by IRC § 415(d) will remain unchanged at the 2010 and 2009 level. Certain other limits relating to retirement plans adjusted by other provisions will increase slightly.

<u>Pension Plan Limits Adjusted by IRC § 415(d)</u>	<u>2011 Amounts</u> (Same as 2010 & 2009)
Annual benefits limit for defined benefit plans – Code § 415 (b)	\$195,000
Annual contributions limit for defined contribution plans – Code § 415(c)	\$49,000
Elective deferral max for 401(k), 403(b) & 457(b) plans – Code § 402(g)	\$16,500
Elective deferral limit for SIMPLE plans – Code § 408(p)	\$11,500
Age 50 catch-up contributions – Code § 414(v)	\$5,500
Highly-compensated employee threshold – Code § 414(q)	\$110,000
Annual compensation limit – Code § 401(a)(17)	\$245,000
Key-employee threshold for top heavy plan - § 416(i)	\$160,000
ESOP account balance for 5-year / 1-year distribution rule under IRC § 409(o)(1)(C)(ii)	\$985,000 & \$195,000

See also [IRS COLA chart](#)

The following pension-related amounts adjusted under IRC § 1(f)(3) have been increased slightly:

<u>Pension-Related Amounts Adjusted under § 1(f)(3)</u>	<u>2010 Amount</u>	<u>2011 Amount</u>
Phase-out for deductions for IRA for married couples filing jointly, in which the spouse who makes the IRA contribution is an active participant in an employer-sponsored retirement plan	\$89,000 to \$109,000	\$90,000 to \$110,000
Adjusted gross income (AGI) phase-out range for married joint filers taxpayers making contributions to a Roth IRA	\$167,000 to \$177,000	\$169,000 to 179,000
AGI limit for retirement savings contributions credit for married couples filing jointly	\$55,500	\$56,500
IRC § 430(c)(7)(D)(i)(II) amount for determining excess employee compensation for defined benefit plans where election has been made	\$1,000,000	\$1,014,000

2. 2011 Health Savings Account (HSA) Contribution Limits Unchanged. As announced in June in [Rev. Proc. 2010-22](#), health savings account (HSA) contribution limits for 2011 will have no cost-of living adjustments in 2011 and will remain at a maximum single contribution limit of \$3,050 and a maximum family contribution limit of \$6,150.

3. PBGC Maximum Insurance Benefit and PBGC Premiums Unchanged. As announced last week, the PBGC maximum insurance benefit is unchanged for 2011 at \$54,000 per year (\$4,500 per month). [PBGC News Release](#) (Oct. 19, 2010).

The PBGC flat-rate premium for 2011 is also unchanged at \$35 for a single-employer plan and \$9 for multiemployer plans. [PBGC – What’s New](#) – Oct. 19, 2011

4. Social Security Taxable Wage Base Unchanged. The Social Security Administration announced in a [press release](#) and [fact sheet](#), issued October 15, 2010, that there will be no automatic cost-of-living adjustment for Social Security benefits in 2011. Similarly, the social security taxable wage base (subject to the 6.2% social security tax) is unchanged at \$106,800. Also, the annual earnings test remains \$14,160 prior to normal retirement and \$37,680 at normal retirement age.

5. Transit Passes and Van Pooling Remains at \$230 for One More Year. The cost-of-living adjustment for qualified transportation limits under Code § 132(f) had not been announced in [Rev. Proc. 2010-41](#), but would presumably have been unchanged at \$230 for qualified parking benefits and \$120 for transit passes and van pooling. However, the American Recovery and Reinvestment Act of 2009 provided for temporary parity between public transit/van-pooling and parking, so that the monthly limitation for transit passes and van pooling was the same as for qualified parking benefits - \$230 – through December 31, 2010. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 enacted Dec. 18, 2010, extends this increased \$230 limit for transit passes and van pooling

through December 31, 2011. The \$230 dollar amount is presumably unchanged by cost-of-living for 2011.

If you have any questions regarding the above or any other matter, please contact me at the number listed above.

Charles C. Shulman

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