



RETIREMENT PLAN SERVICES | NOVEMBER | 2019



IRS Announces Retirement Plan Benefits and Contribution Limits for 2020

Annual Benefit Limit for Defined Benefit Plans (\$230,000)

This limitation on the annual benefit payable as a straight life annuity under a defined benefit plan, for ages 62 to 65, is equal to the lesser of 100% of the average annual compensation, or \$230,000, with indexing for future cost of living. *(The dual defined benefit and defined contribution limit was repealed effective January 1, 2002, so plan sponsors can fund both a defined benefit and a defined contribution plan to their full individual limits).* This statutory limit was \$225,000 for 2019 and has been increased to \$230,000 for 2020.

Annual Addition Limit for Defined Contribution Plans (\$57,000)

Since the enactment of EGTRRA, defined contribution plans have been subject to an "annual addition" limit for each participant that cannot exceed the lesser of 100% of compensation, or \$57,000. This statutory limit was \$56,000 for 2019 and has been increased to \$57,000 for 2020.

Limit on Pre-Tax Salary Deferrals to Retirement Plans (\$19,500)

Salary deferrals into Section 401(k) plans, Section 403(b) arrangements and Section 457(b) plans are subject to a statutory limit under Section 402(g)(1) of \$19,500. This statutory limit was \$19,000 for 2019 and has been increased to \$19,500 for 2020.

SIMPLE Plan Contribution Limit (\$13,500)

The statutory limit on contributions to SIMPLE plans under Section 408(p)(2)(E) is \$13,500. This statutory limit was \$13,000 for 2019 and has been increased to \$13,500 for 2020.

Catch-Up Contributions (\$6,500 for 401(k), SEPs, 403(b) and 457(b) plans; \$3,000 for SIMPLE plans)

catch-up contribution, which is allowed for individuals age 50 and over, in a 401(k) plan, 403(b) plan, 457(b) plan, or a Simplified Employer Pension (SEP) under Section 414(v)(2)(B)(i), was \$6,000 for 2019 and has been increased to \$6,500 for 2020. In addition, the catch-up contribution for SIMPLE IRAs and SIMPLE 401(k) plans under Section 414(v)(2)(B)(ii) was \$3,000 for 2019 and remains unchanged for 2020.

Highly Compensated Employee Dollar Limitation (\$130,000)

The dollar limit for determining who is a highly compensated employee under Section 414(q) was \$125,000 for 2019 and has been increased to \$130,000 for 2020.

Key Employees in Top-Heavy Plans (\$185,000)

In determining who is a key employee under top-heavy plans, Section 416(i) includes officers with compensation greater than \$185,000. That dollar limitation was \$180,000 for 2019 and has been increased to \$185,000 for 2020.

Limit on Compensation Taken Into Account in Retirement Plans (\$285,000)

The maximum amount of compensation that can be taken into account for qualified plan purposes under Section 401(a)(17) was \$280,000 for 2019 and has been increased to \$285,000 for 2020.

Social Security Wage Base (\$137,700)

The Social Security wage base was \$132,900 for 2019 and has been increased to \$137,700 for 2020.

IRAs (\$6,000)

The statutory limit on IRA contributions was \$6,000 in 2019 and remained unchanged for 2020.

ADDITIONAL INFORMATION

For specific questions concerning information contained in this Update, please contact your USI-Chernoff Diamond consultant. Information contained in this Update is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. USI-Chernoff Diamond provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, and compensation and human capital. For additional information about our services, please contact us at 516.683.6100.