

2010 Pension Plan Limitations

The Internal Revenue Service recently announced, in IR News release 2009-94, the cost of living adjustments applicable to dollar limitations for pensions plans and other items for Tax Year 2010. A summary of these limits is listed below.

1. Annual Addition Limits for Defined Contribution Plans. Since the enactment of EGTRRA, defined contribution plans have been subject to an “annual addition” for each participant that cannot exceed 100% of compensation or \$49,000. (Unchanged from 2009.)
2. Limit on Annual Benefit Under Defined Pension Plan. The maximum annual benefit that may be provided under defined benefit pension plans is \$195,000. (Unchanged from 2009.)
3. Limit on Compensation Taken Into Account in Pension Plans. The maximum amount of compensation that can be taken into account for qualified plan purposes is \$245,000. (Unchanged from 2009.)
4. Limit on Pre-Tax Salary Deferrals to Pension Plans. As a result of EGTRRA, organizations that provide for salary deferrals into section 401(k) plans are subject to \$16,500 pre-tax annual limit on the amount that can be deferred into those programs. (Unchanged from 2009.)
5. Highly Compensated Employee Dollar Limitation. The dollar limit for determining who is a highly compensated employee under Code section 414(q) is \$110,000. (Unchanged from 2009.)

EGTRRA Changes

The principal dollar limitation changes mandated by EGTRRA for 2010 are as follows:

1. Salary Deferrals. As noted above, the salary deferral contribution limit remains \$16,500.
2. Catch-Up Contributions. The additional catch-up contribution in qualified plans allowed for individuals aged 50 or over remains \$5,500. (Unchanged from 2009.) This increases the total deferral available to \$22,000. (Unchanged from 2009.)

Year	Elective Deferral	Catch-Up Amount	Age 50 & Over Catch-Up
2010	\$16,500	\$5,500	\$22,000