



Deferred Compensation Benefit Limits for 2012

The Internal Revenue Service has announced the 2012 cost-of-living adjustments (COLAs) for retirement plans. Most of the limits related to retirement plans are increased.

- **Annual compensation limit.** The compensation limit for calculating benefits and contributions, for general and 401(k) discrimination testing, and for determining tax deductions increases from \$245,000 in 2011 to **\$250,000** for plan years beginning in 2012.
- **Elective deferrals (401(k)/Roth).** The calendar year elective deferral contribution limit increases from \$16,500 in calendar year 2011 to **\$17,000** in calendar year 2012.
- **Catch-up contributions.** The calendar year dollar limitation for catch-up elective deferral contributions for individuals who, in 2012, are age 50 or above remains unchanged at **\$5,500** in calendar year 2012.
- **Highly compensated employee.** For plan years ending in 2012, a “highly compensated employee” is one who (a) was a more-than-5% owner during the year or the preceding year, or (b) for the preceding year (i) had compensation in excess of \$110,000 (**\$115,000** when the “preceding year” is 2012) and (ii) if the employer elects for the plan year, was in the top-paid group of employees. (The top-paid group is the top 20% of the employees based on compensation.)
- **Defined contribution plans.** The annual dollar limitation on additions to defined contribution plans increases to **\$50,000** for plan limitation years ending in 2012. In 2011, the defined contribution plan dollar limitation was \$49,000.
- **Defined benefit plans.** For plan limitation years ending in 2012, the annual dollar benefit limitation under a defined benefit plan increases from \$195,000 in 2011 to **\$200,000** in 2012. For participants who separated from service before January 1, 2010, the 100% of average high-three-years’ compensation limit is computed by multiplying the participant’s 2011 compensation limitation by 1.0327. For participants who separated from service during 2010 or 2011, the participant’s 2011 compensation limitation is multiplied by 1.0376.
- **ESOP five-year distribution period.** The dollar amount used in determining the maximum account balance in an employee stock ownership plan subject to a five-year distribution period increases to **\$1,015,000** in 2012 (from \$985,000 in 2011), while the dollar amount used to determine the lengthening of the five-year distribution period increases to **\$200,000** (from \$195,000 in 2011).
- **Key employee in top-heavy plan.** In defining who is a key employee in a top-heavy plan, for plan years ending in 2012, the compensation threshold for an officer increases to **\$165,000** (from \$160,000 in 2011).