RETIREMENT PLAN CONTRIBUTION LIMITS FOR 2015

Each year the IRS makes cost of living adjustments to many of the limits on benefits from -- and contributions to -- qualified and non-qualified retirement plans. Here are the new limits for 2015:

- The maximum annual contributions to an individual's account (including the individual's 401(k) contributions, profit-sharing contributions and employer qualified non-elective contributions) in a defined contribution plan (a money-purchase, profit sharing and/or 401(k) plan) cannot exceed the lesser of 100% of the individual's compensation or **$53,000**. That amount is $1,000 more than the 2014 limitation and it includes employer contributions, employee 401(k) contributions and forfeitures. If your defined contribution plan has a fiscal year other than the calendar year, this new limit is effective for plan limitation years *ending* in 2015. An individual who is 50 or older in 2015 and participates in a 401(k) plan can make an additional 401(k) "catch-up" contribution of up to **$6,000** over and above the $53,000 amount. This "catch-up" limit is $500 more than the 2014 "catch-up" limit.

- The maximum annual 401(k) contribution an individual can make is $**18,000** ($500 more than the 2014 limit). An individual who is 50 or older in 2015 can make an additional "catch-up" 401(k) contribution of up to **$6,000** ($500 more than the 2014 limit) over and above the $18,000 limit**.** These limitations include Roth 401(k) contributions; in other words, total 401(k) contributions are limited to $18,000 (plus the $6,000 catch-up amount if applicable) regardless of how much of the total comes from "pre-tax" 401(k) contributions and how much from Roth 401(k) contributions.

- The maximum annual benefit which may be paid to an individual in a defined benefit plan is the lesser of 100% of the individual's average compensation for the highest paid three consecutive years of his or her employment, or **$210,000**, unchanged from the 2014 limitation. If your defined benefit plan has a fiscal year other than the calendar year, this limit is effective for plan limitation years *ending* in 2015.

- The maximum amount of an employee's annual compensation which may be taken into account for contribution or benefit calculation purposes is **$265,000**, effective for plan years beginning in 2014. This represents a $5,000 increase to the 2014 limitation.

  For tax-exempt entities, the maximum amount which an individual may contribute to a 457(b) plan is $**18,000** ($500 more than the 2014 limit). The "catch-up" contribution in a government-sponsored 457(b) plan for an individual who is age 50 or older in 2015 is up to **$6,000** over above the $18,000 contribution limit. This "catch-up" limit is $500 more than the 2014 "catch-up" limit.

- Special rules apply to "top heavy" plans. A defined contribution plan is top heavy if the aggregate account balances of key employees exceed 60% of the aggregate account balances of all plan participants. A defined benefit plan is top heavy if the present value of the accrued benefits of key employees exceeds 60% of the present value of the accrued benefits of all plan participants. For 2015, the compensation paid to an officer that would cause him or her to be classified as a "key employee" remains at **$170,000**.

- A retirement plan may not discriminate in favor of "highly compensated" employees. An employee is a highly compensated employee in 2015 if the employee either (1) owns greater than

5% of the ownership interests in the employer, or (2) earned over **$120,000** in 2014 and, if applicable, is in the top 20% of employees when ranked by pay. For purposes of determining who will be a highly compensated employee in 2015 the dollar limitation has increased.

- The Social Security taxable wage base used in plans whose contribution formulas are integrated with Social Security (this is also referred to as permitted disparity) is increased in 2015 from $117,000 to **$118,500.**

On a fairly regular basis, employers should review their plan's design to ensure that the key employees are benefiting from the increased contributions, and that the plan is operating as a valuable recruitment and retention tool.