

# update

## Most IRS Dollar Limits and All Social Security Figures Will Increase for 2019

This *Update* reports indexed Internal Revenue Service (IRS) limits for 2019 that are of interest to public sector retirement plan sponsors. Because some state and local government employees are covered by Social Security, the *Update* also reports Social Security figures for 2019.

### IRS Retirement Plan Limits

The 2019 IRS dollar limits for qualified plans and other tax-favored retirement plans are determined using Consumer Price Index (CPI) data. The latest data, released on October 11, 2018, showed that the CPI for All Urban Consumers (CPI-U) increased 2.3 percent over the 12 months that ended September 30, 2018. The IRS issued [Notice 2018-83 announcing the changes](#) on November 1, 2018.

The table below compares some of the 2019 limits to those limits for 2018.

IRS Retirement Plan Limits	2018	2019
Maximum 415(b) Annual Payout at Age 62 from a Defined Benefit Plan <sup>1</sup>	\$220,000	\$225,000
Maximum 415(c) Annual Addition to a Defined Contribution Plan Account	55,000	56,000
Annual Elective 401(k), 403(b) and 457(b) Deferral Limit	18,500	19,000
Annual 401(k), 403(b) and 457(b) Catch-Up Limit (Age 50 and Older)	6,000	Unchanged
Maximum 401(a)(17) Annual Compensation Amount Considered for Qualified Plans and 403(b) Plans	275,000	280,000
Maximum 401(a)(17) Annual Compensation Amount Considered for Public Sector Plans That Were Able to Grandfather the Old Dollar Limit <sup>2</sup>	405,000	415,000

<sup>1</sup> There are late-retirement adjustments for benefits starting after age 65.

<sup>2</sup> When the Omnibus Budget Reconciliation Act of 1993 reduced the annual compensation limit from \$200,000 to \$150,000, it allowed public sector plans to avoid applying the reduced compensation limit for grandfathered participants (generally, those who became participants in the plan before January 1, 1996). The grandfathered amount for 2019, as shown in the table above, is the 2018 amount as indexed under 401(a)(17).



### Retirement Compliance News Highlights:

- All IRS retirement plan limits of interest to public sector plan sponsors, except for the elective deferral catch-up limit for those age 50 and older, will increase for 2019.
- Social Security benefits will increase 2.8 percent.
- The wage base for the Social Security tax will also increase by 2.8 percent.

## Social Security Benefits

The Social Security cost of living adjustment (COLA) for 2019 will be 2.8 percent. The Social Security wage base and earnings test will also increase for 2019. A [press release](#) on this news, a [fact sheet](#) on 2019 Social Security figures and [information about how the COLA is calculated](#) are on the Social Security Administration's website. The table below compares the 2019 figures to the 2018 figures.

Social Security Benefit Tests and Limits	2018	2019
Maximum Amount of Earnings Subject to the Social Security Tax <sup>1</sup>	\$128,400	\$132,900
COLA Increase	2.0%	2.8%
Social Security National Average Wage Index <sup>2</sup>	\$48,642.15 (for 2016)	\$50,321.89 (for 2017)
Primary Insurance Amount (PIA) Formula: <sup>3</sup>		
a) First Bend Point	\$895	\$926
b) Second Bend Point	\$5,397	\$5,583
Maximum Social Security Benefit at Social Security Normal Retirement Age (SSNRA) <sup>4</sup>	\$2,788/Month	\$2,861/Month
Early Retirement Earnings Test Prior to Year of Attaining SSNRA (Amount that Can Be Earned before Benefits Are Cut) <sup>5</sup>	\$17,040/Year	\$17,640/Year

<sup>1</sup> All earnings are subject to the Medicare tax.

<sup>2</sup> This amount is not tied to the CPI-W, but rather to earnings as reported to the Social Security Administration (SSA). The [2017 average \(which is relevant for 2019\) and background](#) can be found on the SSA website.

<sup>3</sup> PIA formula "bend points" are updated each year to reflect changes in the National Average Wage Index. The [2019 bend points](#) can be found on the SSA website.

<sup>4</sup> The maximum Social Security benefit at SSNRA is not tied to the CPI. It is based on the PIA formula (reflecting updated bend points) where a worker's earnings are at the maximum taxable amount for his or her career. For workers born in 1943-1954, the SSNRA is age 66. [Information on how SSNRA varies by birth year](#) is on the SSA website.

<sup>5</sup> In the year of attaining SSNRA, the early retirement earnings test is higher. For those attaining SSNRA in 2019, the maximum amount that can be earned before benefits are cut will be \$46,920 until the month of attaining SSNRA, up from \$45,360 in 2018. This higher earnings test applies only to earnings in months prior to the month of SSNRA attainment. After attaining SSNRA, individuals can receive their full benefits regardless of how much they earn.

## Questions?

For more information about how these new limits and amounts may affect your plan, please contact your Segal consultant.

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