



# update

Compliance News for Plan Sponsors

November 7, 2018

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

This *Update* reports indexed Internal Revenue Service (IRS) and Social Security figures for 2019 that are of interest to retirement plan sponsors. It also includes the 2019 Pension Benefit Guaranty Corporation (PBGC) premium rates and the maximum guarantee.

### 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) and 403(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
Annual 414(q) Compensation Threshold to Identify Highly Compensated Employees	120,000	125,000
Annual 416 Top-Heavy Compensation Threshold to Identify Key Employees	175,000	180,000
Cost-of-Living Adjustment (COLA) Factor for the 415(b) 100%-of-Pay Limit	1.97% <sup>2</sup>	2.64% <sup>3</sup>



### Retirement Compliance News Highlights:

- All IRS retirement plan limits, except for the 401(k) 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.
- The PBGC's variable-rate premium, the per-participant cap on that premium and the PBGC guarantee will all increase.

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

<sup>2</sup> The 2018 factor was for participants who separated from service before 1/1/18.

<sup>3</sup> The 2019 factor is for participants who separate from service before 1/1/19.

## 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.

## PBGC Premiums and Guarantee Limit

The flat-rate premium for single employer plans is set by statute. It will be \$80 for 2019.\*

On October 12, 2018, the PBGC published [premium rates](#) for 2019. The variable-rate premium (VRP) for 2019 will increase to \$43 per \$1,000 of unfunded vested benefits, up from \$38 in 2018. The per-participant cap on the VRP will increase to \$541, up from \$523 for 2018.\*\*

\* The Bipartisan Budget Act of 2015 set the flat-rate premium for single employer plans. (See the PBGC's [premium rates](#) webpage.) After 2019, the flat-rate premium for single employer plans will be subject to indexing.

\*\* Multiemployer plans do not pay a variable-rate premium. Sibson estimates the flat-rate, per-participant premium for multiemployer plans will increase by one dollar to \$29 for 2019.

On October 22, 2018, the PBGC [announced](#) the single-life annuity maximum guarantee for participants age 65 in single employer pension plans that terminate during 2019. It will be \$5,607.95 per month (\$67,295.40 annually), up from \$5,420.45 per month (\$65,045.40 annually) for 2018.\*\*\* The PBGC's [monthly maximum guarantee](#) webpage lists the monthly maximum at every age from 45 to 75.

## Questions?

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

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\*\*\* The PBGC's multiemployer guarantee will not change because it is not indexed. There is no dollar limit on the monthly benefit payable under the multiemployer program, only a limit on the benefit rate used to calculate the monthly benefit. The maximum monthly PBGC guarantee is \$35.75 per year of service, which means a participant with 30 years of service would receive, at most, a benefit of \$1,072.50 per month. For additional information, see the multiemployer benefit guarantees page of the PBGC's website.

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