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ERISA 2012 Limits

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Plan Limitations for 2012

Various retirement plan limits are subject to annual cost-of-living and/or statutory adjustments. Some of the limits for 2012 have, finally, increased. The more commonly applicable limits for 2012 are as follows:

Maximum Contribution to 401(k), Profit Sharing, and other Defined Contribution Plans. **\$50,000 for 2012** (increased from \$49,000). For most plans, the limit will apply for the plan year January 1 to December 31, 2012. *Warning: Participants of small employers may not be able to receive the \$50,000 allocation.*

Pre-Tax 401(k), 403(b) or 457(b) Employee Contribution Limit. **\$17,000 for 2012** (increased from \$16,500).

Age 50 Catch-up Contribution Limit. **\$5,500 for 2012.** This limit is unchanged from 2011.

Maximum Annual Recognized Compensation Limit. **\$250,000 for 2012** (increased from \$245,000). To limit retirement plan accumulations for high paid employees, as well as to increase contributions for non-high paid employees, retirement plans generally may only recognize compensation up to this limit.

Highly Compensated Employee Threshold. **\$115,000 for 2012** (increased from \$110,000). Under ERISA's nondiscrimination rules, the employee population is divided into two groups – the highly compensated employees and the nonhighly compensated employees. A highly compensated employee generally is an employee who owns more than 5% of the employer sponsoring the plan or whose compensation in the preceding year exceeds the dollar threshold.

Defined Benefit Plan Limit. **\$200,000 for 2012** (increased from \$195,000). In a defined benefit plan, the law limits the annual pension payable to the participant upon retirement (as opposed to limiting the annual additions going into a defined contribution plan). *If you desire to possibly accumulate significant retirement benefits over and above the \$50,000 annual defined contribution limit, a defined benefit plan should be explored.*

Social Security Tax Wage Base. **\$110,100 for 2012** (increased from \$106,800). This figure affects the way in which employer contributions are allocated to participants in "integrated" plans.

For additional information or if you have questions, please contact Jeffery Mandell or John Hughes at 1-208-342-5522 or 1-866-ERISALAW.

The foregoing is intended to provide general information only and does not provide legal advice. The application of ERISA laws can be complex. For information regarding the impact of these developments under your particular facts and circumstances, please call us.