

**2009 Qualified Plan Limits**

Most of the qualified plan limits are indexed to inflation, subject to certain rounding rules. Many of these limits were increased by EGTRRA in 2002 beyond the CPI-indexed increases that would have otherwise taken place. The most significant EGTRRA changes were the increases in 401(k) pre-tax contributions, catch-up contributions for employees age 50 and older, increase in maximum annual pensions, and the increase in considered compensation to \$200,000, indexed.

<b>2009 Amount</b>	<b>Limit</b>	<b>Last Year's Amount</b>
<b>\$16,500</b>	Maximum employee pre-tax deferral in a 401(k) or 403(b) plan. This limit is indexed.	15,500
<b>\$5,500</b>	Catch-up elective deferrals for employees with their 50 <sup>th</sup> or later birthday in 2009. Plans are not required to allow catch-ups and a plan amendment is required to do so.	5,000
<b>\$11,500</b>	Employee deferral limit for SIMPLE plans (IRA and 401(k) versions).	10,500
<b>\$16,500</b>	Maximum pre-tax deferral in a governmental deferred compensation (457) plan.	15,500
<b>\$49,000 or 100% of pay</b>	Annual addition limit for defined contribution plans.	46,000 or 100% of pay
<b>\$245,000</b>	Maximum compensation that can be considered in a qualified retirement plan. Certain grand-fathered governmental plans may use a limit of \$300,000.	230,000
<b>\$195,000</b>	Maximum annual pension payable from a defined benefit plan at age 65 as a life only annuity. Adjusted for payments starting before age 62 and other forms of annuity.	185,000
<b>\$110,000</b>	The dollar limit in the definition of "highly compensated employees" for nondiscrimination testing. The definition includes only a) 5% owners or b) employees earning over \$100,000 (indexed to the Consumer Price Index and based on the prior year's compensation). The employer may elect to limit the over \$100,000 pay group to the top 20% of payroll.	105,000
<b>Employer deduction limit</b>	Employee elective deferrals are no longer counted towards the aggregate employer deduction limit of 25% of participant payroll.	Changed in 2003

See IR 2008-118, October 16, 2008

**The catch-up provision – a boon to employees age 50 and over**

Eligible participants in 401(k) and similar plans may contribute an additional \$5,500 in 2009 beyond the \$16,500 maximum contribution that is generally allowed. To be eligible an employee must reach his or her 50<sup>th</sup> birthday (or later) in 2009.

Plans are not required to add a catch-up provision. If the catch-up is desired, it must be added by plan amendment. Contributions are only deemed as catch-up contributions at the end of the year (contributions intended as catch-up amounts may end up being under the standard limit in some situations).

**2009 Social Security Increases**

Social Security recipients receive a 5.8% increase in their benefits in January 2009. The increase, which is based on the annual change in the CPI, is more than the increase in 2008. Prior increases have been (from 2008 back) 2.8%, 3.3%, 4.1%, 1.3%, 2.1%, 2.9%, 2.6%, 2.4%, 3.5%, 2.6%, 1.4%, and 2.1%. The maximum benefit for an individual retiring at age 65 in 2009 is \$2,323 per month (up from \$2,185 last year). The Taxable Wage Base for 2009 is \$106,800; annual increases are indexed to US wage levels. The Medicare Part A deductible for 2009 is \$1,068 (up from \$1,024 last year) and the Part B premium is \$96.40. The Part B premium is higher for people with income is above \$85,000 (single) or \$170,000 (married couple), scaled to a maximum of \$308.30.

**2006 Medicare Part D Payment Schedule (First Year)**

Annual Drug Cost	Part D Pays		Individual (or Other Coverage) Pays		
	Percent	Max \$	Percent	Max \$	Cum Max \$
0 - 250	0	0	100%	250	250
250 - 2,250	75%	1,500	25%	500	750
2,250 - 5,100	0%	0	100%	2,850	<b>3,600</b>
5,100 - no limit	95%	no limit	5%	no limit	no limit

**2009 Medicare Part D Payment Schedule**

Annual Drug Cost	Part D Pays		Individual (or Other Coverage) Pays		
	Percent	Max \$	Percent	Max \$	Cum Max \$
0 - 295	0	0	100%	295	295
295 - 2,700	75%	1,803.75	25%	601.25	896.25
2,700 - 6,153.75	0%	0	100%	3,453.75	<b>4,350</b>
6,153.75 - no limit	95%	no limit	5%	no limit	no limit

**2008 Federal Income Tax Rates**

The following rates are applied to 2008 taxable income.

Rate	Single	Married Joint
10% to	\$ 8,025	\$ 16,050
15% to	32,550	65,100
25% to	78,850	131,450
28% to	164,550	200,300
33% to	357,700	357,700
35% above	357,700	357,700

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