

2010 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.

2010 Amount	Limit	Last Year's Amount
\$16,500	Maximum employee pre-tax deferral in a 401(k) or 403(b) plan. This limit is indexed.	\$16,500
\$5,500	Catch-up elective deferrals for employees with their 50 th or later birthday in 2009. Plans are not required to allow catch-ups and a plan amendment is required to do so.	\$5,500
\$11,500	Employee deferral limit for SIMPLE plans (IRA and 401(k) versions).	\$11,500
\$16,500	Maximum pre-tax deferral in a governmental deferred compensation (457) plan.	\$16,500
\$49,000 or 100% of pay	Annual addition limit for defined contribution plans.	\$49,000 or 100% of pay
\$245,000	Maximum compensation that can be considered in a qualified retirement plan. Certain grand-fathered governmental plans may use a limit of \$300,000.	\$245,000
\$195,000	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.	\$195,000
\$110,000	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.	\$110,000
Employer deduction limit	Employee elective deferrals are no longer counted towards the aggregate employer deduction limit of 25% of participant payroll.	Changed in 2003

See IR 2009-94, October 15, 2009

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 2010 beyond the \$16,500 maximum contribution that is generally allowed. To be eligible an employee must reach his or her 50th birthday (or later) in 2010.

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).

2010 Social Security Increases

For the first time since 1975, when Social Security benefits became indexed to increases in the CPI, there will be no increase in Social Security benefits for 2010. Prior increases have been (from 2009 back) 5.8%, 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 2010 is \$2,323 per month (which is the same as 2009). The Taxable Wage Base for 2010 is \$106,800; annual increases are indexed to US wage levels. The Medicare Part A deductible for 2010 is \$1,100 (up from \$1,068 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 \$353.60.

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	3,600
5,100 - no limit	95%	no limit	5%	no limit	no limit

2010 Medicare Part D Payment Schedule

Annual Drug Cost	Part D Pays		Individual (or Other Coverage) Pays		
	Percent	Max \$	Percent	Max \$	Cum Max \$
0 - 310	0	0	100%	310	310
310 - 2,830	75%	1,890	25%	630	940
2,830 - 6,440	0%	0	100%	3,610	4,450
6,440 - no limit	95%	no limit	5%	no limit	no limit

2009 Federal Income Tax Rates

The following rates are applied to 2009 taxable income.

Rate	Single	Married Joint
10% to	\$ 8,350	\$ 16,700
15% to	33,950	67,900
25% to	82,250	137,050
28% to	171,550	208,850
33% to	372,950	372,950
35% above	372,950	372,950

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