

# KIRKLAND ALERT

November 2009

## Employee Benefit Plan Dollar Limits 2010

The Internal Revenue Service has announced the following 2010 dollar limits for employee benefit plans:

**Maximum Plan Compensation.** The maximum amount of annual compensation which may be taken into account for employee benefit plan purposes remains unchanged at \$245,000.

**Limit on Salary Deferral Contributions.** The annual limitation on elective deferral contributions under plans maintained pursuant to Sections 401(k) and 457 of the Internal Revenue Code remains unchanged at \$16,500.

**Maximum Benefits for Defined Benefit Plans.** The annual limitation on benefits payable from a defined benefit pension plan remains unchanged from 2009 as the lesser of 100% of average compensation for the participant's high-three-years or \$195,000. For participants who separated from service before January 1, 2010, the high-three-year compensation limitation for defined benefit plans is computed by multiplying the participant's compensation limitation, as adjusted through 2009, by 1.0.

**Maximum Contributions for Defined Contribution Plans.** The defined contribution plan annual contribution limit remains unchanged as the lesser of 100% of the participant's compensation or \$49,000.

**Limit on Salary Reduction Amount for a SIMPLE Retirement Account.** The maximum salary reduction amount for a SIMPLE retirement account maintained pursuant to Section 408(p) of the Internal Revenue Code remains unchanged at \$11,500.

**Catch-Up Limitation.** The dollar limitation for catch-up contributions to an applicable employer plan other than a SIMPLE plan or SIMPLE retirement account for individuals age 50 remains unchanged at \$5,500. The dollar limitation for catch-up contributions to a SIMPLE plan or SIMPLE retirement account for individuals age 50 or over remains unchanged at \$2,500.

**Compensation Threshold for Highly-Compensated Employees.** The compensation threshold used in the definition of "highly-compensated employee" remains unchanged at \$110,000.

**Key Employee Definition Limitation.** The dollar limitation for the definition of key employee in a top-heavy plan remains unchanged at \$160,000.

**ESOP Maximum Balance and Amount Necessary for Lengthening of Five-Year Period.** The dollar amount of a participant's account which is necessary for a participant to lengthen the period of distributions under an employee stock ownership plan (an "ESOP") remains unchanged at \$985,000 (the "ESOP maximum balance"). The dollar amount by which a participant's account balance must exceed the ESOP maximum balance in order to lengthen the five-year distribution period remains unchanged at \$195,000.

In addition, the Pension Benefit Guaranty Corporation ("PBGC") has announced the maximum insurance benefit for 2010.

**Maximum PBGC Guarantee for Defined Benefit Plans.** The maximum benefit that the PBGC will guarantee for participants in underfunded single-employer defined benefit plans that terminate in 2010 remains unchanged at \$54,000 per year for those who retire at age 65. The amount is higher for those who retire later and lower for those who retire earlier or elect survivor benefits.

If you have any questions about the matters addressed in this *Kirkland Alert*, please contact the following Kirkland authors or your regular Kirkland contact.

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