

EMPLOYEE BENEFITS & EXECUTIVE COMPENSATION ALERT

December 2013

Noteworthy Cost-of-Living Adjustments Announced for 2014

Sponsors of, and participants in, a tax-qualified retirement plan should be aware of certain cost-of-living adjustments recently announced by the IRS for 2014. The most notable revisions include:

- an increase in the dollar amount used to define “compensation” for purposes of determining benefit calculations or benefit contributions, from \$255,000 to \$260,000;
- an increase in the maximum dollar annual addition under a defined contribution plan from \$51,000 to \$52,000; and
- an increase in the annual maximum dollar limit under a defined benefit plan from \$205,000 to \$210,000.

The dollar limit applicable to elective pre-tax deferrals under an Internal Revenue Code Section 401(k) plan (“401(k) plan”) remains unchanged at \$17,500. The dollar limit applicable to catch-up contributions under such a 401(k) plan also remains unchanged at \$5,500 for a participant who has attained age 50.

In addition, the dollar limitation for purposes of defining a “highly compensated employee” under a tax-qualified retirement plan remains unchanged at \$115,000.

If you have any questions concerning how these increases may affect you or your retirement plan, please contact us.

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This edition of the Employee Benefits & Executive Compensation Alert highlights recent guidance published by the IRS regarding cost-of-living adjustments applicable to retirement benefit plans. The Alert was written by Devin M. Karas, a member of the Employee Benefits & Pension Practice Area at Reid and Riege, P.C. The Practice Area works closely with clients to design and draft tax-qualified and nonqualified retirement plans. For information or additional copies of this Alert, or to be placed on our mailing list, please contact Devin (tel. 860-240-1063) (e-mail dkaras@rrlawpc.com) or another member of the Practice Area, John J. Jacobson, Chair (tel. 860-240-1006) (e-mail jjacobson@rrlawpc.com), John V. Galiette (tel. 860-240-1009) (e-mail jgaliette@rrlawpc.com), Ronald J. Koniuta (tel. 860-240-1034) (e-mail rkoniuta@rrlawpc.com), or Erek M. Sharp (tel. 860-240-1074) (e-mail esharp@rrlawpc.com), or the Reid and Riege attorney with whom you regularly work.

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