

2009 Benefit Limits

The IRS has provided updated retirement plan limits effective for the plan year that begins on or after January 1, 2009. Some of these increases in limitations result from the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”). Other increases reflect cost-of-living adjustments. The 2009 limits, as well as the 2008 limits, are as follows:

	2008	2009
IRC 402(g) limit on 403(b) elective deferrals	\$15,500	\$16,500
Catch-up contribution limit for employees 50 and older in 403(b)	\$5,000	\$5,500
Section 415 Limits		
Defined Contribution Plan Annual Addition Maximum	\$46,000	\$49,000
Defined Benefit Plan Dollar Maximum	\$185,000	\$195,000
Defined Benefit Plan Compensation Multiplier – Used to determine limit for participants who separated from service prior to January 1, 2008	1.0236	1.0530
Annual Compensation Limit under §§401(a)(17), 404(l) and 408(k)	\$230,000	\$245,000
Special limit for Governmental Plans in effect on July 1, 1993	\$360,000	\$345,000
Highly Compensated Employee definition (§414(q)(1))	\$105,000	\$110,000
§416 Top-Heavy Compensation – Used to determine officers as key employees	\$150,000	\$160,000
Social Security Wage Base	\$102,000	\$106,800

403b Lifetime Catch-up Limit (aka “15-year rule”) - \$3,000:

There is a provision of the Internal Revenue Code that temporarily increases the elective deferral limit for those eligible employees. This increase is known as the 15-year-rule.

This special provision for 403b increases your elective deferral limit by as much as **\$3,000** more than the current \$16,500 limit (as of 2009). **To qualify** you must have **completed at least 15 years of service with the same employer** (years of service need not be consecutive), **and you cannot have contributed more than an average of \$5,000 to a 403(b) in previous years**. The increase in your elective deferral limit cannot exceed \$3,000 per year under this provision, up to a \$15,000 lifetime maximum. If you have 15 or more years of service with your employer, it is highly recommended that you consult with a tax professional concerning the limits on your contributions. Note that **if you are eligible to contribute to both the age 50 catch-up and the 15-year-rule, the IRS will first apply any contribution above normal limits to the 15-year-rule**.