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## 2009 COST OF LIVING ADJUSTMENTS FOR RETIREMENT PLANS

On October 16, 2008, the Internal Revenue Service (IRS) announced the Cost of Living adjustments to the dollar limitations for pension plans and other items for the 2009 Tax Year. Many of the limitations have increased for 2009 and will impact the amount that can be contributed to a qualified retirement plan. The increases that apply to Defined Contribution ("DC") and Defined Benefit ("DB") plans are highlighted below.

Beginning in 2009, the limit on elective deferrals (*i.e.* employee contributions) to a 401(k) plan is increased to \$16,500. The limit on catch-up contributions by individuals age 50 or older is increased to \$5,500. The maximum contribution to a DC plan for an individual, including employee contributions, is increased to \$49,000 for an individual under the age of 50 and \$54,500 for an individual age 50 or older who is able to make catch-up contributions.

The annual limit on compensation that will be taken into account for qualified plans is also increased in 2009 to \$245,000.

The compensation threshold used to determine if an individual is a Highly Compensated Employee ("HCE") based on his or her salary in 2009 is increased to \$110,000. Whether an individual is an HCE in 2009 will be determined based on his or her salary for 2008 using the 2008 threshold. The \$110,000 threshold will be used to determine if an individual is an HCE in 2010 based on his or her 2009 salary.

In addition to increases in the limits applicable to DC plans, the maximum annual benefit for DB plans is increased to \$195,000 from the prior limit of \$185,000.

One other increase of note is the Social Security taxable wage base, which is increased to \$106,800 from \$102,000.

Limitation	2009	2008
Maximum elective deferrals under §402(g)(1) (employee contributions)	<b>\$16,500</b>	\$15,500
Maximum catch-up contributions (for those age 50 or older)	<b>\$5,500</b>	\$5,000
Maximum contribution to a Defined Contribution plan (including employee contributions)	<b>\$49,000</b>	\$46,000
Maximum contribution to a Defined Contribution plan (including employee contributions and catch-up contributions)	<b>\$54,500</b>	\$51,000
Highly Compensated Employee compensation threshold	<b>\$110,000</b>	\$105,000
Annual Compensation Limit	<b>\$245,000</b>	\$230,000
Maximum annual benefit for Defined Benefit plans	<b>\$195,000</b>	\$185,000
Social Security Taxable Wage Base	<b>\$106,800</b>	\$102,000

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