



Pension Plan, Elective Deferral, Catch-Up Dollar Limits and Social Security Increases in 2012

PENSION PLAN DOLLAR LIMITS FOR 2012

The contributions and benefits under qualified retirement plans are subject to certain annual limits. The annual limits are subject to an annual cost-of-living increase based on the increase in the Consumer Price Index or CPI. For most limitations, the increase in the CPI over the past year has caused an increase in the dollar limit. The IRS has announced the cost-of-living adjustments to dollar limitations for retirement plans for 2012.

ELECTIVE DEFERRAL AND CATCH-UP LIMITS FOR 2012

The elective deferral contributions limits increased for 2012, the SIMPLE plan deferral limit and the catch-up contribution limits did not change.

IRA LIMITS

For 2012, the limit for both traditional and Roth IRAs remains at \$5,000. The limit that applies to IRA catch-up contributions (contributions for individuals age 50 and over) remains at \$1,000.

SOCIAL SECURITY INCREASES

The Social Security Administration announced an increase in the Taxable Wage Base or TWB for 2012 from \$106,800 to \$110,100. Workers pay Social Security tax on wages up to the TWB. Also, some retirement plan formulas are integrated with Social Security. These plans often use the TWB when allocating contributions or calculating benefits.

November 2011
SPECTRA INSIGHT



Links to Additional Information

- 2012 Pension Plan Increase: www.irs.gov/retirement/article/0,,id=96461,00.html
- 2012 Elective Deferral/Catch-Up Limits: www.irs.gov/retirement/participant/article/0,,id=151786,00.html
- 2012 Social Security Increase: www.ssa.gov/cola/

Comparison of 2011 Limits and New Limits Effective January 1, 2012

Limit	2011	2012
Compensation Limit	\$245,000	\$250,000
Defined Contribution \$415 Limit	\$49,000	\$50,000
Defined Benefit \$415 Limit	\$195,000	\$200,000
Key Employee Officer Limit	\$160,000	\$165,000
Highly Compensated Employee Limit	\$110,000	\$115,000
Governmental Plan Compensation Limit	\$360,000	\$375,000
Elective Deferral and Catch-up Limits for 2012		
401(k), 403(b), 457(b) Plan Deferral Limit	\$16,500	\$17,000
401(k), 403(b), 457(b) Catch-up Limit	\$5,500	\$5,500
SIMPLE IRA Plan Deferral Limit	\$11,500	\$11,500
SIMPLE IRA Catch-up Limit	\$2,500	\$2,500





Proposed Retirement Plan Legislation- Automatic IRA Act of 2011

Senators Jeff Bingaman (D-NM) and John Kerry (D-MA) recently introduced the Automatic IRA Act of 2011 (S. 1557). This proposed legislation would require employers that don't sponsor a retirement plan to automatically enroll employees into a payroll deduct Individual Retirement Account (IRA). The proposed legislation would also give incentives for businesses to adopt and maintain a qualified retirement plan.

COVERED EMPLOYERS AND EMPLOYEES

The automatic IRA requirement would phase-in and would apply the first year after enactment to employers with 100 or more employees, the second year to employers with 50 or more employees, 25 or more the third year, and 10 or more the fourth year. The number of employees includes those who earned more than \$5,000 in the prior year. The automatic IRA requirement would not apply to:

- Employers that maintain a qualified retirement plan that covers employees in all divisions, subsidiaries, and business units.
- Businesses that have not been in existence for two full years.
- Governmental or church employers.
- Employees who have been employed less than 3 months and who have not attained age 18.

CONTRIBUTIONS

Employers would contribute a 3% of pay default percentage into the employees' automatic IRA. Employees could raise or lower the contribution amount or opt out of the program entirely. The contribution would qualify for the saver's tax credit. Employers could choose either a traditional or Roth IRA. If no choice is made, the default would be a Roth IRA. Employers could choose an IRA provider from a list of approved providers published by the United States Treasury Department. As an alternative, each individual employee could select the IRA provider. For employers that do not want to select an IRA provider, Treasury would assign a provider for the arrangement from a list of approved providers.

INVESTMENT OPTIONS

All automatic IRAs must offer the same standardized investment options (as developed by the Internal Revenue Service (IRS) and the Department of Labor (DOL)) which include:

- A principal preservation investment, a bank or credit union savings account, certificate of deposit, savings bond, or R-bond.
- If an employee does not make an investment election, a default investment will be selected for the employee once the balance of the account exceeds \$5,000.



[Link to Additional Information](#)

- Automatic IRA Act of 2011 information at: www.opencongress.org/bill/112-s1557/show

Spectra Management is redefining employee benefits. Originally established in 1986, the company seeks to provide local businesses with innovative health insurance, savings and retirement plans that make sense today—and for years to come. Unlike other employee benefits companies, Spectra Management does not provide clients with cookie-cutter packages. Rather, Spectra's highly experienced staff works hand in hand with its clients to develop tailor-made solutions designed to strengthen employee confidence and well-being. Whether you're a business owner, a human resource director, or a company employee, Spectra Management can help provide confidence in the benefit selection and management of your benefits package.

*This is for informational purposes only and should not be considered specific tax or investment advice for any individual. Please seek advice from a qualified professional. Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Please note that individual situations can vary.