

MEMO# 2487

January 24, 1991

1991 COST OF LIVING ADJUSTMENTS

January 24, 1991 TO: PENSION MEMBERS NO. 3-91 RE: 1991 COST OF LIVING ADJUSTMENTS

The Internal Revenue Service recently released the cost of living adjustments applicable to the dollar limitations on benefits, the limit on employee salary reduction contributions to a 401(k) plan and the definition of "highly compensated employees". These amounts, under Section 415 and other sections of the Internal Revenue Code are adjusted annually. (For 1990 adjustments, see Institute Memorandum to Pension Members No. 5- 90, dated February 9, 1990.) The maximum amount a participant can contribute to a 401(k) plan or SARSEP as an elective salary reduction was increased from \$7,979 in 1990 to \$8,475 in 1991. The maximum limitation for the annual benefit for defined benefit plans was increased from \$102,582 to \$108,963; the defined contribution plan limit remains at \$30,000 and will not be changed until the defined benefit plan limit exceeds \$120,000. The limitations used in the definition of "highly compensated employee" under section 414(q) of the Internal Revenue Code of \$85,485 and \$56,990 in 1990 were respectively increased to \$90,803 and \$60,535 for 1991. A copy of Internal Revenue Service News Release IR-91-12 is attached. We will keep you informed of further developments. W. Richard Mason Assistant General Counsel
Attachment

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