

**MEMO# 1712**

February 9, 1990

## **COST-OF-LIVING ADJUSTMENTS TO SECTION 415 AND RELATED LIMITATIONS**

February 9, 1990 TO: PENSION MEMBERS NO. 5-90 RE: COST-OF-LIVING ADJUSTMENTS TO  
SECTION 415 AND RELATED LIMITATIONS

Attached is a copy of IRS News Release 90-15, which provides for cost-of-living adjustments to the limitations under section 415 of the Code and related limitations, effective January 1, 1990. The maximum limitation for defined benefit plans under section 415 has increased from \$98,064 to \$102,582. There is no corresponding increase with respect to the \$30,000 limitation for defined contribution plans, because that figure cannot be adjusted until the limitation for defined benefit plans exceeds \$120,000. In addition, the release increases the maximum amount of elective deferrals under a 401(k) plan or a salary reduction simplified employee pension (SEP) from \$7,627 to \$7,979 per year. The threshold amount for purposes of the excise tax on excess distributions from retirement plans under section 4980A has increased from \$122,580 to \$128,228. Certain dollar limitations applicable to SEPs have also increased. Under section 408(k)(2)(C), a SEP may now exclude those employees with less than \$342 of compensation. The compensation amount under section 408(k)(3)(C) has increased from \$200,000 to \$209,200. We will keep you informed of further developments. Kathy D. Ireland Associate General Counsel Attachment

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