

ABACUS NEWS

COST-OF-LIVING ADJUSTMENTS FOR 2012

Per IRS News Release, dated October 20, 2011, this table provides the cost of living adjustments for 2012 which are applicable to the limitations on contributions and benefits under qualified retirement plans, effective January 1, 2012. A history of these adjustments, plus the FICA wage base, is shown below:

	Indexed 2012	Indexed 2011	Indexed 2010	Indexed 2009
1. Maximum Compensation Limit for Plan Benefits	\$250,000.00	\$245,000.00	\$245,000.00	\$245,000.00
2. Maximum 401(k) Deferral Limit for Calendar Year	17,000.00	16,500.00	16,500.00	16,500.00
3. Catch-up Deferral Limit for Participants Age 50 or Older in 401(k), 403(b) or 457 Plan	5,500.00	5,500.00	5,500.00	5,500.00
4. Maximum 401(k) Deferral Limit for SIMPLE Plan for Calendar Year	11,500.00	11,500.00	11,500.00	11,500.00
5. Maximum Defined Contribution Annual Addition	50,000.00	49,000.00	49,000.00	49,000.00
6. Maximum Defined Benefit Annual Benefit	200,000.00	195,000.00	195,000.00	195,000.00
7. Highly Compensated Employee (HCE) Compensation Level	(earned in 2011) 110,000.00	(earned in 2010) 110,000.00	(earned in 2009) 110,000.00	(earned in 2008) 105,000.00
8. FICA Wage Base	110,100.00	106,800.00	106,800.00	106,800.00

The Department of Labor has published Final Regulations on January 14, 2010 to establish a 7 business day “safe harbor” standard during which employers can deposit employee deferrals and loan repayments to employee benefit plans.

The Final Regulations provide that employers depositing salary deferrals and participant loan payments within 7 business days of withholding are deemed to be timely. There are two important caveats to note:

- The 7-day safe-harbor only applies to salary deferrals for small plans, e.g. those with fewer than 100 participants as of the first day of the plan year. It applies to participant loan payments for plans of any size.
- Deposits must be made within 7 business days of each pay period regardless of payroll frequency.

Now that DOL has set a clearly defined standard, they are likely to scrutinize the timing of deposits even more than they have in the past.

Please make sure all deposits comply with the safe harbor standard of 7 business days.