

Pension Contribution And Benefit Limits Adjustments

This letter is to provide you with a summary of the certain changes affecting your payroll and retirement plan operations. After you have had a chance to read this letter, please call me to set up an appointment to further discuss these changes and their effect on your plan(s).

Defined Contribution Plan Limits

The maximum annual addition to a participant's account under a defined contribution plan cannot exceed the lesser of 100% of compensation or \$40,000 (as indexed for inflation). For 2022, the adjusted limit is \$61,000. Notice 2021-61.

Defined Benefit Plan Limits

The maximum annual benefit payable at retirement generally is the lesser of 100% of a participant's high 3-years' average compensation from the employer or \$160,000 (as indexed for inflation). The dollar limit is reduced for benefits commencing before age 62 and increases for benefits beginning after age 65. For 2022, the adjusted limit is \$245,000. Notice 2021-61.

Compensation Limits

The maximum amount of annual compensation of a plan participant that may be taken into account for purposes of determining contributions and benefits under a plan, applying the deduction rules, and for nondiscrimination testing purposes is limited to \$200,000 (as adjusted for inflation). For 2022, the adjusted limit is \$305,000. Notice 2021-61.

Employee Elective Deferral Limit

The maximum annual amount of elective deferrals that an individual may make to a §401(k) plan, §403(b) annuity, or a salary reduction simplified employee pension (SARSEP) plan for 2022 is \$20,500. Notice 2021-61. This limit is an aggregate limit and applies to total elective deferrals made annually to plans permitting such contributions.

An individual who attains age 50 by the end of the plan year can make "catch-up" contributions if the plan so provides. Individuals who qualify may elect to make additional elective contributions up to the lesser of an "applicable dollar amount" or the individual's compensation for the year, reduced by any other elective deferrals made during the year. The applicable dollar amount is \$6,500 for 2022.

A special dollar limit applies to "catch-up" contributions under SIMPLE 401(k) plans and SIMPLE IRAs. The applicable dollar amount is \$3,000 for 2022. Notice 2021-61.

Deduction Limit for Profit-Sharing and Stock Bonus Plans

In the case of a profit-sharing or stock bonus plan, an employer generally may deduct 25% of the aggregate compensation of all employees covered by the plan for the year.