

2015 Cost of Living Adjustments Announced

On October 23rd, the Internal Revenue Service released the 2015 Cost of Living Adjustments (COLAs) which place dollar restrictions on 401(k) plans, pension plans, and other retirement savings vehicles. Many limitations will increase for 2015 due to the increase in the cost-of-living index meeting the statutory thresholds, triggering an adjustment. The following Cost of Living Adjustments are effective January 1, 2015.¹

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), and most 457 plans increased from \$17,500 to **\$18,000** with the catch-up contribution limit for employees age 50 and over increasing to **\$6,000** from \$5,500.
- The defined contribution limit for plans under Section 415(c)(1)(A) will from \$52,000 to **\$53,000**.
- The limitation on the annual benefit under a defined benefit plan under Section 415(b)(1)(A) remains **unchanged at \$210,000**.
- The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii) is increased from \$260,000 to **\$265,000**.
- The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) is increased from \$115,000 to **\$120,000**.

A historical chart of the Cost of Living Adjustments can be found on [our website](#).

The Social Security Administration, SSA, released a press release on October 22nd containing the 2015 Cost of Living Adjustments for Social Security Benefits and Federal Insurance Contributions Act (FICA) tax used to fund Social Security and Medicare.²

- Monthly Social Security and Supplemental Security Income (SSI) benefits for nearly 64 million Americans will **increase 1.7 percent** in 2015.
- The maximum amount of earnings subject to the Social Security tax (FICA) will increase from \$117,000 to **\$118,500**. Of the estimated 168 million workers who will pay Social Security taxes in 2015, about 10 million will pay higher taxes because of the increase in the taxable maximum.

For more information on the 2015 Cost of Living Adjustments, visit the [IRS website](#) and [SSA website](#).

¹ IRS Announces 2015 Pension Plan Limitations. [http://www.irs.gov/uac/Newsroom/IRS-Announces-2015-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-\\$18,000-to-their-401\(k\)-plans-in-2015](http://www.irs.gov/uac/Newsroom/IRS-Announces-2015-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-$18,000-to-their-401(k)-plans-in-2015)

² Social Security Announces 1.7 Percent Benefit Increase for 2015. <http://www.ssa.gov/news/#!/post/10-2014-2>