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The Internal Revenue Service has announced the 2009 plan year cost-of-living adjustments for the dollar limitations on benefits, contributions, compensation and other items relating to qualified retirement plans. The limits are shown in the following year-to-year comparison:

MAXIMUM DOLLAR LIMITS

	<u>2008</u>	<u>2009</u>
401(k) Elective Deferrals	\$15,500	\$16,500
401(k) Catch-up Contributions (Age 50 & Older)	\$5,000	\$5,500
Defined Contribution Annual Additions (415 limit)	\$46,000	\$49,000
Annual Compensation Limit	\$230,000	\$245,000
Highly Compensated Employee*	\$105,000	\$110,000

*An employee must earn more than \$105,000 in 2008 to be highly compensated in 2009 and must earn more than \$110,000 in 2009 to be highly compensated for 2010 plan year testing.

If your plan has a SIMPLE 401(k) feature your Elective Deferral limit is \$11,500 and the plan's Catch Up Contribution for those over 50 is \$2,500.

In addition, the Social Security Taxable Wage Base has been increased from \$102,000 in 2008 to \$106,800 for Plan Years beginning in 2009

As a reminder, **The DOL aggressively investigates employee allegations of late deposits.** They do not have materiality thresholds and **they follow up on every employee complaint of late deposits.**

The DOL has strict regulations regarding the timeframe in which elective deferral contributions must be transferred by an Employer to a qualified plan. Both the IRS, upon Plan audit, and DOL insist that **deferrals and loan payments must be segregated from the general assets of the employer within three (3) business days of being withheld from employee paychecks.** Deposits to the Plan then must be made consistently and as early as possible each and every time that elective deferral contributions are withheld from paychecks. Monthly deposits are not acceptable and not considered timely.

The annual IRS Form 5500 has a question that asks "Did the employer fail to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102?" It is very important that all Plan Sponsors comply with this regulation. If not, it is our understanding that it may trigger a DOL audit as well as potential penalties and excise taxes.

Please feel free to contact us at 215.703.0844 if you have any questions regarding your company's retirement plan.