



CLIENT ACTION Bulletin

Employee Benefits

COLAs for Retirement, Social Security, and Health Benefits for 2019

SUMMARY With the release of the September 2018 Consumer Price Index (CPI) by the Bureau of Labor Statistics, the Social Security Administration (SSA) and the IRS have announced cost-of-living adjusted figures for Social Security and retirement plan benefits, respectively, for 2019. The 2019 adjusted figures for high-deductible health plans (HDHPs) and health savings accounts (HSAs) included in this *Client Action Bulletin* were released by the IRS earlier this year and are provided here for convenience.

DISCUSSION Retirement Benefits

	2019	2018
Defined Benefit Plan Dollar Annuity Limit IRC §415(b)(1)(A)	\$225,000	\$220,000
Defined Contribution Plan Combined Limit IRC §415(c)(1)(A)	\$56,000	\$55,000
Defined Contribution Plan Elective Deferral Limit IRC §402(g)(1)	\$19,000	\$18,500
Government/Tax-Exempt Plans' Deferral Limit IRC §457(e)(15)	\$19,000	\$18,500
401(k)/403(b)/457 Plans' Age-50 "Catch-Up" Limit IRC §414(v)(2)(B)(i)	\$6,000	\$6,000
Annual Compensation Limit IRC §§401(a)(17), 404(l)	\$280,000	\$275,000
Highly Compensated Employee (HCE) Limit IRC §414(q)(1)(B)	\$125,000 (HCEs in 2020)	\$120,000 (HCEs in 2019)
Key Employee/Officer Compensation IRC §416(i)(1)(A)(i)	\$180,000	\$175,000

Defined Benefit Plan High-3-Year Compensation Limit

For participants who separated from service before 2019, the adjusted high-three-year compensation limitation for defined benefit plans (under IRC §415(b)(1)(B)) is computed by multiplying the participant's 2018 compensation limitation by 1.0264.

Social Security Program Adjustments

The Social Security Administration announced a 2.8% adjustment for 2019 benefits.

For 2019, the Social Security taxable wage base will increase to \$132,900, up from \$128,400 in 2018. The Social Security Old-Age, Survivors, and Disability Insurance (OASDI) tax rate remains at 6.2% on wages up to the \$132,900 wage base, capping 2019 OASDI taxes at \$8,239.80 assessed equally on both the employee and the employer.

The Medicare Hospital Insurance (HI) tax rate will remain at 1.45% on all wages, with only the employee portion of the Medicare HI tax remaining subject to an additional 0.9% tax on wages exceeding \$200,000. (The \$200,000 threshold is not subject to adjustments for inflation.)

An individual who attains Social Security normal retirement age of 66 in 2019 (i.e., born in 1953) will be eligible to commence unreduced Social Security benefits in 2019. People born prior to 1943 have a lower retirement age, and those born in 1955 or later will have a higher normal retirement age, with a maximum age of 67 for those born in 1960 and later. Other 2019 adjusted figures from the SSA include:

- The maximum amount that individuals may earn without a reduction in their 2019 Social Security benefits is \$3,910/month (\$46,920 annually) if they are receiving or will commence Social Security benefits in 2019 *and* have attained Social Security normal retirement age by the end of 2019.
- The maximum amount that individuals may earn without a reduction is \$1,470/month (\$17,640 annually) if they are receiving or will commence Social Security benefits in 2019 *and* have not attained Social Security normal retirement age by the end of 2019.
- The “bend points” – the dollar amounts in the Social Security Primary Insurance Amount (PIA) formula that is used to determine individual beneficiaries’ Average Index Monthly Earnings (AIME) – for 2019 will be \$926 and \$5,583. Thus, the Social Security monthly PIA formula will be 90% of the first \$926 of AIME, plus 32% of the AIME over \$926 and through \$5,583, plus 15% of the AIME over \$5,583.
- The “old law” contribution and benefit base, which is used to calculate the PBGC guaranteed amount, will be \$98,700, up from \$95,400 in 2018.
- The amount of earnings required for a quarter of coverage will be \$1,360.
- The National Average Wage Index for 2017 is \$50,321.89.

Health Benefits

The maximum annual contribution for HSAs in 2019 will increase to \$3,500 (from \$3,450 in 2018) for an individual with self-only coverage under a HDHP, and will increase to \$7,000 (from \$6,900) for an individual with family coverage. In addition, persons age 55 or older may make a catchup contribution of \$1,000 (which is set by law and not subject to adjustments for inflation) for 2019.

For 2019, HSA-eligible HDHPs must have an annual deductible of at least \$1,350 for self-only coverage (\$2,700 for family coverage), no increase from 2018. The HDHP’s annual out-of-pocket expenses may not exceed \$6,750 for self-only coverage and \$13,500 for family coverage (increased from the 2018 amounts of \$6,650/\$13,300).

ACTION Because many of the employee benefit plan limits for 2019 have changed from 2018, plan sponsors should verify that their administrative and payroll systems reflect the appropriate limits. Communications that specify the various retirement plan limits and other benefit program changes should be reviewed for accuracy before materials are given to participants. Retirement plans that are coordinated with Social Security benefits should also be reviewed for accuracy.

For additional information about the 2019 cost-of-living adjustments for retirement plans, Social Security benefits, and HSAs and HDHPs, please contact your Milliman consultant.