



# CLIENT ACTION Bulletin Employee Benefits

## COLAs for Retirement, Social Security, and Health Benefits for 2015

**SUMMARY** With the release of the September 2014 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 2015. The 2015 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

	2015	2014
Defined Benefit Plan Dollar Annuity Limit IRC §415(b)(1)(A)	\$210,000	\$210,000
Defined Contribution Plan Combined Limit IRC §415(c)(1)(A)	\$53,000	\$52,000
Defined Contribution Plan Elective Deferral Limit IRC §402(g)(1)	\$18,000	\$17,500
Government/Tax-Exempt Plans' Deferral Limit IRC §457(e)(15)	\$18,000	\$17,500
401(k)/403(b)/457 Plans' "Catch-Up" Limit IRC §414(v)(2)(B)(i)	\$6,000	\$5,500
Annual Compensation Limit IRC §§401(a)(17), 404(l)	\$265,000	\$260,000
Highly Compensated Employee (HCE) Limit IRC §414(q)(1)(B)	\$120,000 (HCEs in 2016)	\$115,000 (HCEs in 2015)
Key Employee/Officer Compensation IRC §416(i)(1)(A)(i)	\$170,000	\$170,000

#### Defined Benefit Plan High-3-Year Compensation Limit

For participants who separated from service before 2015, the adjusted high-three-year compensation limitation for defined benefit plans (under IRC §415(b)(1)(B)) is computed by multiplying the participant's 2014 compensation limitation by 1.0178.

#### Social Security Program Adjustments

The Social Security Administration announced a 1.7% cost-of-living adjustment for 2015 benefits.

For 2015, the Social Security taxable wage base will increase to \$118,500. The Social Security Old-Age, Survivors, and Disability Insurance (OASDI) tax rate will be 6.2% on wages up to the \$118,500 wage base, capping 2015 OASDI taxes at \$7,347 assessed on both the employee and the employer.

The Medicare Hospital Insurance (HI) tax rate will remain at 1.45% on all wages, with the employee portion of the Medicare HI tax continuing to increase by 0.9 percentage points on wages paid to an individual exceeding \$200,000. (The \$200,000 threshold is unadjusted for inflation.)

An individual who attains Social Security normal retirement age 66 in 2015 (born in 1949) will be eligible to commence unreduced Social Security benefits. Most individuals born in earlier years have a lower normal retirement age, and those born in later years will have a higher normal retirement age, with a maximum age of 67 for those born in 1960 and later. Other 2015 adjusted figures from the SSA include:

- The maximum amount an individual may earn without a reduction in benefits during the calendar year of attaining Social Security normal retirement age will be \$3,490/month (\$41,880 annually); the maximum amount an individual may earn in calendar years prior to attaining Social Security normal retirement age will be \$1,310/month (\$15,720/annually).
- The “bend points” – the dollar amounts used to determine beneficiaries’ Social Security Primary Insurance Amount (PIA) based on their Average Index Monthly Earnings (AIME) – for 2015 will be \$826 and \$4,980. Thus, the Social Security monthly PIA formula will be 90% of the first \$826 of AIME, plus 32% of the AIME over \$826 and through \$4,980, plus 15% of the AIME over \$4,980.
- The “old law” contribution and benefit base will be \$88,200. (The Pension Benefit Guaranty Corporation uses this figure to calculate the amount of benefit guaranteed in 2015, which is anticipated to be \$5,011.36/month at age 65.)
- The amount of earnings required for a quarter of coverage will be \$1,220.

### Health Benefits

The inflation-adjusted amounts for HSAs in 2015 will increase from the amounts for HSAs in 2014. The maximum annual contribution for HSAs in 2015 will be \$3,350 for an individual with self-only coverage and \$6,650 for an individual with family coverage. In addition, persons age 55 or older may make catchup contributions of \$1,000 for 2015.

For 2015, HSA-eligible HDHPs must have an annual deductible of at least \$1,300 for self-only coverage (\$2,600 for family coverage), an increase from the 2014 amounts of \$1,250 and \$2,500, respectively. The HDHP’s annual out-of-pocket maximums may not exceed \$6,450 for self-only coverage and \$12,900 for family coverage, an increase from the 2014 amounts of \$6,350 and \$12,700, respectively.

**ACTION** Because some of the employee benefit plan limits for 2015 have changed from 2014, plan sponsors should verify that their administrative and payroll systems reflect the appropriate limits. In addition, employers should monitor developments in Congress and anticipate the need to make other modifications to payroll and administrative systems, such as the possible reinstatement of parity for employer-provided mass transit/vanpool benefits with parking benefits. 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 2015 cost-of-living adjustments for retirement plans, Social Security benefits, and HSAs and HDHPs, please contact your Milliman consultant.