

Client Action Bulletin

NOVEMBER 8, 2021

2022 IRS Limits for Retirement, Social Security, and Health Benefits 2022 PBGC Premiums

SUMMARY

The IRS and the Social Security Administration have announced the 2022 cost-of-living adjustment (COLA) figures for tax-qualified retirement plans and Social Security benefits and the Pension Benefit Guaranty Corporation (PBGC) has published the 2022 single employer and multiemployer defined benefit pension plan premium rates.

The federal agencies calculated these values based on the 5.4% increase in the Consumer Price Index (CPI-U) for the 12 months ended September 30, 2021, from the U.S. Bureau of Labor Statistics.

The 2022 adjusted figures for high-deductible health plans (HDHPs) and health savings accounts (HSAs) were released by the IRS in May 2021.

DISCUSSION

Please refer to the table on the following page for the 2022 values compared to the corresponding 2021 and 2020 values. Notes for the items in the table:

1. The maximum annual defined benefit (DB) plan annuity is payable as the unreduced amount at the plan's normal retirement age. The DB plan document will describe any other subsidized early retirement benefits.
2. The maximum annual addition to a defined contribution (DC) plan is the sum of any employee tax-deferred or Roth deferral contributions and employer contributions (matching, profit-sharing or other nonelective). The employee's annual DC plan contribution is limited to the maximum §401(k)/§403(b)/§457 deferral value for the year.
3. UVB in the PBGC section of the table refers to Unfunded Vested Benefits for single employer and multiple employer DB plans. It is the deficit, if any, between the PBGC variable rate premium (VRP) value of accrued benefits and the value of the plan's assets. There are no VRPs for multiemployer DB plans.
4. OASDI is the Social Security Old-Age, Survivors, and Disability Insurance program. The OASDI payroll tax rate is 6.20% on wages up to the Taxable Wage Base. Both the employer and the employee pay OASDI payroll tax.
5. The Medicare Hospital Insurance (HI) payroll tax rate is at 1.45% on all wages and is paid by both the employer and the employee. Employees are subject to an additional 0.9% payroll tax withholding on wages over \$200,000.
6. An individual who attains Social Security full (normal) retirement age (SSNRA) of 66 and 4 months in 2022 (i.e., born in 1956) will be eligible to commence unreduced Social Security benefits in 2022. People born prior to 1956 have a lower SSNRA, and those born in 1957 or later will have a higher SSNRA, with a maximum age of 67 for those born in 1960 and later.
7. HSA is a tax-qualified Health Savings Account, HDHP is a tax-qualified High-Deductible Health Plan.

IRS, PBGC, AND SOCIAL SECURITY VALUES FOR 2022, 2021, AND 2020

IRS Qualified Retirement Plan Compensation and Benefits Limits	2022	2021	2020
Maximum annual annuity pension for DB plans	\$245,000	\$230,000	\$230,000
Maximum annual addition for DC plans	\$61,000	\$58,000	\$57,000
Maximum §401(k)/§403(b)/§457 deferral for DC plans	\$20,500	\$19,500	\$19,500
"Catch-up" contribution limit for DC plans	\$6,500	\$6,500	\$6,500
Compensation limit	\$305,000	\$290,000	\$285,000
Highly Compensated Employee (HCE)	\$135,000	\$130,000	\$130,000
Key employee/officer compensation	\$200,000	\$185,000	\$185,000
PBGC Flat Rate and Variable Rate Premiums for Defined Benefit Pension Plan Subject to IRS Rules	2022	2021	2020
Single employer plan flat rate premium per participant	\$88	\$86	\$83
Single employer plan variable rate premium (VRP) per \$1,000 of Unfunded Vested Benefits (UVB)	\$48	\$46	\$45
Maximum single employer plan VRP per participant	\$598	\$582	\$561
Multiemployer plan flat rate premium	\$32	\$31	\$30
Social Security Administration	2022	2021	2020
Social Security Taxable Wage Base (SSTWB)	\$147,000	\$142,800	\$137,700
Maximum OASDI payroll tax (6.2% of SSTWB) paid by both the employee and the employer	\$9,114.00	\$8,853.60	\$8,537.40
Maximum monthly Social Security benefit at SSNRA	\$3,345	\$3,148	\$3,011
National Average Wage Base (NAWB)	\$55,628.60	\$54,099.99	\$52,145.80
IRS Qualified Employer Health Insurance Plan Benefits Limits	2022	2021	2020
Self-Only Health Insurance Plan Coverage			
HSA annual contribution	\$3,650	\$3,600	\$3,550
HDHP minimum deductible	\$1,400	\$1,400	\$1,400
HDHP maximum out-of-pocket cost	\$7,050	\$7,000	\$6,900
Family Health Insurance Plan Coverage			
HSA annual contribution	\$7,300	\$7,200	\$7,100
HDHP minimum deductible	\$2,800	\$2,800	\$2,800
HDHP maximum out-of-pocket cost	\$14,100	\$14,000	\$13,800
All Health Insurance Plan Coverages			
HSA "catch-up" contribution for ages 55 and older	\$1,000	\$1,000	\$1,000

ACTION

For defined contribution savings plans (§401(k), §403(b), §457; tax-deferred or Roth): In addition to updating administrative systems to reflect the 2022 limits, plan sponsors may wish to review the contribution patterns over the last few years of their participants who were or are contributing at the maximum IRS limits. For those with a profit-sharing feature, it may be of interest to assess how many participants could be affected by the expected increase in both the savings plan total limit and the compensation limit. If a nonqualified savings plan feature exists, there could be a reduction in the necessary amount to finance in a Rabbi Trust or leave as an unfunded unsecured obligation of the plan sponsor.

For defined benefit pension plans: Note that the maximum annual annuity value above (aka the “\$415 limit”) is typically available at a DB plan’s “normal retirement age.” For early retirement ages under the plan, the annuity value is reduced according to the plan document rules. For employers that sponsor nonqualified DB plans, qualified plan limit increases could reduce nonqualified plan projected benefits.

Note that the Social Security Administration announced a 5.9% increase for 2022 benefits being paid to current Social Security benefit annuitants.

For additional information about the 2022 cost-of-living adjustments for retirement plans, Social Security benefits, and HSAs and HDHPs, please contact your Milliman consultant.

Sources: IRS Notice 2021-61, Fact Sheet 2022 Social Security Changes, PBGC Premium Rates web page, IRS Revenue Procedure 2021-25.



Milliman Client Action Bulletin contains general information that is not intended to constitute the rendering of legal, tax, investment, or accounting advice. Application to specific circumstances should rely on further professional guidance.

[milliman.com](https://www.milliman.com)

**For more information, please
contact your Milliman consultant.**

© 2021 Milliman, Inc. All Rights Reserved. The materials in this document represent the opinion of the authors and are not representative of the views of Milliman, Inc. Milliman does not certify the information, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Materials may not be reproduced without the express consent of Milliman.