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ARCHIVO MEMORANDUM

VOL. 0393

6 May 1993

From: Arcadio Casillas

RE: 1993 Pension Plans Limitations

Questions have arisen lately regarding the above captioned. We are pleased to once again share with you the most current information on the subject matter.

The Internal Revenue Service 1993 cost-of-living adjustments applicable to dollar limitations on benefits under qualified defined benefit pension plans and to other provisions affecting such plans are as follows:

Section 415, of the Internal Revenue Code, provides for dollar limitations on benefits and contributions under these plans. It also requires that the Commissioner annually adjust these limits for cost-of-living increases. Effective January 1, 1993, the maximum limitation for the annual benefit under Section 415(b)(1)(A) for defined benefit plans is increased from \$113,221 to \$115,641.

The limitation for defined contribution plans under Section 415(c)(1)(A) remains at \$30,000 for 1993 since the law provides that it shall not be changed until the Section 415 (b)(1)(A) limit for benefits exceeds \$120,000. The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A) is adjusted. These dollar amounts and the adjusted amounts are as follows:

The special limitation for qualified police or firefighters under Section 415(b)(2)(G) is increased from \$62,345 to \$64,245.

The limitation on the exclusion for elective deferrals under Section 402(g)(1) is increased from \$8,728 to \$8,994.

The dollar amounts under Section 409(o)(1)(C)(ii) for lengthening the distribution period of that section for tax credit employee stock ownership plans are increased from \$124,690 to \$128,490 and from \$623,450 to \$642,450. The threshold amount under Section 498A(c)(1) regarding excess distributions is increased from \$140,276 to \$144,551.

The limitations used in the definition of highly compensated employee under Section 414(q) of \$93,518 and \$62,345 are respectively increased to \$96,368 and \$64,245.

The annual compensation limit under Section 408(k)(2) (C) regarding simplified employee pension plans (SEPs) is increased from \$374 to \$385. The compensation amount under Section 408(k)(3)(C) is increased from \$228,860 to \$235,840.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.