

Client Alert: Year 2003 Retirement Plan Cost of Living Adjustments

The Internal Revenue Service has announced the cost-of-living adjustments applicable to qualified retirement plans for the year 2003. The Social Security Administration recently announced its own cost-of-living adjustments for 2003. Finally, many of the qualified retirement plan limits have automatically increased pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001. The following is a chart comparing the commonly-used 2002 and 2003 year limits.

Type of Limit	2002	2003
IRC Section 401(a)(17) – Qualified Plans – Maximum Compensation Limit Per Person	\$200,000	\$200,000
IRC Section 402(g)(1) – 401(k) Plans – Maximum Elective Deferral Per Person Per Year	\$11,000	\$12,000
IRC Section 414(q)(1)(B) – Qualified Plans – Definition of Highly Compensated Employee	\$90,000	\$90,000
IRC Section 414(v) – 401(k) Plans – Maximum Catch-Up Contribution Per Person For Persons Age 50 and Over	\$1,000	\$2,000
IRC Section 415(b) – Defined Benefit Plans – Maximum Annual Benefit Payable Per Person	\$160,000	\$160,000
IRC Section 415(c) – Defined Contribution Plans – Maximum Annual Contribution Per Person	\$40,000	\$40,000
IRC Section 416(i)(1)(A)(i) – Qualified Plans – Dollar Limit Used In Definition of Officer Key Employee for Purposes of Top-Heavy Testing	\$130,000	\$130,000
Social Security Taxable Wage Base	\$84,900	\$87,000

For Additional Information

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