

DAVID M. LIPKIN, MSPA, FSA  
PRESIDENT

DIANE M. BARTON, CPC, CEBS  
SENIOR VICE PRESIDENT

RUSSELL D. SMITH, CPC  
VICE PRESIDENT

MAUREEN J. PANTANELLA, QPA, CEBS

LEIGH A. LEWIS, QPA



METRO BENEFITS  
INCORPORATED

Offices in Pittsburgh, PA and Charleston, WV

SHELIA L. McLAUGHLIN, QPA

MICHELE A. CIESZYNSKI, QPA

MICHAEL W. STEVE, CPC

WILLIAM K. CURRY, QKA

BRYON A. DIGIORGIO, QKA

LEANN K. MALLOY, QPA

JENNIFER L. STENSON, QPA

CHRISTINE A. LESTITIAN, QKA

## **METRO NEWS -Report # 80** **December 16, 2011**

### **To our clients and friends:**

This is another in a series of newsletters designed to keep you clearly informed of current events in the area of retirement plans. (plus whatever other stuff I find interesting ...)

### **Happy Holidays!**

Please accept our sincere, warm wishes for a happy and prosperous Holiday Season for you and your family. We enjoy working with you, and we appreciate the opportunity to do so.

This Issue #80 is a "Quickie" edition (note the special paper color), with just enough information to tide you over into 2012.

### **Higher Limits for 2012:**

Yes, we are just as tired of the \$16,500 limit as you are – it has been in effect since 2009. The CPI has increased enough to bump the annual 401(k) limit up to \$17,000 for 2012. The catch-up limit (extra deferral if you turn age 50 or older during 2012) remains at \$5,500, so the overall 401(k) cap for those of us in the 50+ crowd = \$17,000 + \$5,500 = \$22,500.

The overall "defined contribution plan limit" has increased from \$49,000 to \$50,000. Again, add \$5,500 if you are old.

For those of you with a defined benefit plan, remember that limitation is based on the highest annual benefit for which one may fund. The limit on the annual contribution is the "actuarial cost" of that benefit. Anyway, this limit increases to an annual benefit of \$200,000/yr. at age 62 (not to exceed 100% of pay). Let us know if these higher limits may be helpful, for those already "maxed out" on your 401(k).

Finally, the annual limit on compensation will go up to \$250K/yr., while a "highly compensated employee" for 2013 will be (either a 5% + owner, their lineal relative/spouse, or) someone who made more than \$115K during 2012. Short Quiz on Friday . . . . .

### **Annual reminder for age 70 ½ / 1099-R Forms:**

An IRS 1099-R Form is used to report any distribution from a qualified plan – even a tax-free rollover to an IRA. Although there may be no tax now due, there are still severe penalties (\$100 per day) for not completing a Form 1099-R on time. (Copy to the employee < 1/31/12; IRS e-filing of their copy in early March).

Take a moment (now) to remind yourself that someone is doing these forms for your plan. A quick rule of thumb is that 401(k) "investment platforms" (i.e. a big menu and a fancy system) normally produce these 1099-R Forms, but if the plan is funded (at all) by brokerage accounts then we (or your accountant) can help you.

This is the season, too, for age 70 ½ mandatory payouts, which are due < 12/31/11. Please see Metro News #79 for a further discussion on this topic.

While we follow up with our clients who we believe may need our assistance on 1099-R / 70 ½ issues, this is ultimately your responsibility, so please let us know if we can assist you in any way.

**Welcome to Metro!**

Please welcome Jennifer Foody, who we are excited to have as our new Controller. Also, please join me in congratulating Samantha Mullenax on her recent promotion to Office Manager (and the purchase of her new home!).

**Quick Plan Document Update:**

Most 401(k) plan sponsors will not need 2011 year-end model amendments. We will, however, be sending out these amendments (due < 12/31/11) for a handful of plans, whose documents were produced (a) during a particular time window, or (b) by another firm. No significant changes are in this amendment, but it should help keep your plan “current” and happy.

Defined Benefit Plan documents will require more attention, however. All of these documents will require either a plan amendment or a complete plan restatement, by 12/31/11. Please let us know if you have any questions on these (tricky) rules.

**Let's chat!**

How depressing to already know that the Pirates will be worse next year! I hope Santa brings you some dark chocolate at Christmas. What issues are on your mind? Is there anything that we can be doing better? (I want to know!) Drop me a note at [david@metrobenefits.com](mailto:david@metrobenefits.com) . ☺

Best Wishes,



David M. Lipkin, MSPA, FSA, Editor

Metro Benefits, Inc. is a regional consulting firm, based in Pittsburgh, PA and Charleston, WV. We provide a wide range of services for qualified plans. While we make every effort to verify the accuracy of the information that we present here, you should consult with your Plan attorney or other advisor before acting on it.