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November 20, 2019

TO: Board of Trustees
U.A. Local 467 Pension Trust

From: Richard K. Grosboll, Trust Counsel

RE: 2020 IRS Benefit and Contribution Limits/Social Security Administration Changes

The IRS recently announced the 2020 pension, defined contribution, 401k contribution and benefit limitations. There are changes to some limits. This memo provides a short summary of the IRS contribution and benefit limitation rules, many of which I realize do not apply to your Plans, but I thought you would find them of interest. The 2020 IRS mileage rate has yet to be set.

1. **Maximum Monthly Pension Benefit from a Pension Plan-\$5,000 Increase.** For a defined benefit pension plan, the maximum benefit payable at Normal Retirement Age increased from \$225,000 in 2019 to \$230,000 in 2020 or \$19,167 a month (up from \$18,750 in 2019 and \$18,333 in 2018). These amounts decrease significantly for early retirement payments. (To illustrate the growth of this limit, the limit was \$210,000 in 2016.) We do not anticipate a problem with this limit for this Plan.

2. **Increase in Annual Income Taken into Consideration for Pension Contributions/Highly Compensated Level Increased.** The maximum annual income that the IRS will take into consideration in determining the appropriate level of pension contributions increased from \$280,000 in 2019 to \$285,000 in 2020. In addition, in evaluating the IRS discrimination tests for certain pension plans, highly compensated employees are defined as those earning \$130,000 (up from \$125,000 in 2019). A highly compensated employee had been defined during 2015-2018 as an individual earning \$120,000.

3. **Maximum Contribution to Defined Contribution Plans-\$1,000 Increase.** The maximum amount that can be contributed to a defined contribution plan increased from \$56,000 in 2019 to \$57,000 in 2020. (There has been a steady increase in recent years, as the limit was \$53,000 in 2016.) This limit is not, of course, an issue for this Plan given current contribution levels.

4. **401k Plan Deferrals Increase by \$500 and Catch up Deferrals Increase by \$5,000.** For 2020, the elective deferral limit on employee pre-tax deferral contributions for 401(k) Plans increased by \$500 from \$19,000 to \$19,500 for those under age 50. The Catch-up Contribution increased from \$6,000 to \$6,500 for 2020. Thus, the Catch up deferral contribution for those age 50 or older is \$26,000 (\$19,500 + \$6,500).

5. **Individual Retirement Accounts-IRA Maximum Limits—No Change.** This is a limit outside the Plans. For personal Individual Retirement Accounts, the \$6,000 did not change for those under age 50 (\$7,000 if age 50 or older).

INFORMATION ON SOCIAL SECURITY ADMINISTRATION ADJUSTMENTS FOR 2020

Trustees: This is for your information. The Social Security benefits have no impact on the Plan's benefits.

2020 COLA. The Social Security Administration announced that the Social Security and Supplemental Security Income (SSI) benefits for nearly 69 million Americans will increase **1.6% in 2020** (a cost of living increase, known as a "COLA"). In contrast the increase during the prior year was 2.8% (and 2.0 and 0.3% in the two prior years). The COLA is based on the percent increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year. If there is no increase, there can be no COLA. By way of example, there was no COLA in 2009, 2010 and 2015. The CPI-W is determined by the Bureau of Labor Statistics in the Department of Labor. By law, it is the official measure used by Social Security to calculate the COLA. (Some have criticized the method for determining the COLA percentage because it does not take into consideration health care cost increases; however, because the method for determining the COLA is set by statute, there is no choice without a legislative change.) The cost of living increases started in 1975.

To illustrate the increase, a retired worker receiving a \$1,479 benefit in 2019 will have his or her benefit increased by \$24 to \$1,503 in 2020.

MAXIMUM INCOME SUBJECT TO SOCIAL SECURITY TAX WITHHOLDING. As a reminder, the Federal Insurance Contributions Act (known as "FICA") imposes two taxes on employers, employees and self-employed workers—one for Old Age, Survivors and Disability Insurance (known as "OASDI" and/or the "Social Security Tax") and the other for Hospital Insurance (known as Medicare). The OASDI tax is 6.2% of a certain level of earnings, which is adjusted each year. In contrast, the Medicare portion of FICA is 1.45% on all earnings. Thus, the total FICA tax rate is 7.65%.

Social Security Administration recently announced that the maximum amount of earnings subject to the Social Security tax will increase from **\$132,900 in 2019 to \$137,700 in 2020, a \$4,800 increase.** (The limit in 2018 was \$128,400.) In addition, individuals with income of more than \$200,000 (\$250,00 for married couples filing jointly) pay an additional 0.9% (in addition to the 1.45%).

EARNINGS LIMIT FOR WORKERS YOUNGER THAN FULL RETIREMENT AGE (age 66 for people born in 1943-1956). The earnings limit for workers who are younger than "full" retirement age will increase from \$17,640 (\$1,470 a month) in 2019 to \$18,240 (\$1,520 a month) in 2020. Social Security deducts \$1 from benefits for each \$2 earned over \$18,240. The earnings limit for people turning age 66 in 2020 will increase from \$46,920 to \$48,600. Social Security deducts \$1 from benefits for each \$3 earned over \$48,600 until the month the worker turns age 66. There is no limit on earnings for workers who are full retirement age or older for the entire year.

MEDICARE PART B PREMIUMS: \$9.10 MONTHLY PREMIUM INCREASE The Department of Health and Human Services' Centers for Medicare and Medicaid Services announced an increase (\$9.10 monthly increase) in the 2020 premium for the Medicare physician and outpatient hospital services (Part B). Medicare Part B covers physician services, outpatient services, certain home health services durable medical equipment and other items. The standard monthly premium for Medicare Part B, which was \$135.50 in 2018, will be \$144.60 in 2020. But this premium does not apply to all of those on Medicare.

9. **MEDICARE PART D INCOME RELATED MONTHLY ADJUSTMENT.** For the past decade or so, high wage earners (above \$86,000 for individuals or above \$172,000 for married couples) have to pay an additional premium for their Medicare prescription drug coverage (Part D) to the Social Security Administration known as IRMAA – Income-Related Monthly Adjustment Amount. In 2020, high wage earners will pay in addition to their Part D premiums the following increased IRMAA premium:

If you file an Individual Tax Return	If you're Married and file a Joint Tax Return	If you're Married and file a Separate Tax Return	2020 You Pay	Compared to 2019
≤ \$86,000	≤ \$172,000	≤ \$86,000	\$144.60	\$135.50
> \$86,001 - \$109,000	> \$172,001 - \$218,000	Not Applicable	\$202.40	\$189.60
> \$109,001 - \$136,000	> \$218,001 - \$272,000	Not Applicable	\$289.20	\$270.90
> \$136,001 - \$163,000	> \$272,001 - \$326,000	Not Applicable	\$376.00	\$352.20
> \$163,001 - \$500,000	> \$360,001 - \$750,000	> \$87,000 - \$413,000	\$462.70	\$433.40
> \$ Above \$500,000	> Above \$750,000	> \$413,000 & Above	\$491.60	\$460.50

Please contact me if you have any questions.

cc: Fund Manager/Plan Advisors