

2013 COLAs for Employee Benefit Plans

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The **Internal Revenue Service** has announced the 2013 cost of living adjustments to various limits on employee benefit plans. The adjusted amounts generally apply for plan years beginning in 2013. Some of the adjusted amounts, however, apply to calendar year 2013:

1. The limit on an employee's contributions made during the 2013 calendar year to a 401(k) or a 403(b) tax-sheltered annuity increases to \$17,500. Participants who are age 50 or older by the end of 2013 may make an additional \$5,500 catch-up contribution, which remains unchanged from 2012.
2. The limit on an employee's contributions made during the 2013 calendar year to a 457 plan sponsored by a governmental unit or a tax-exempt organization increases to \$17,500. Participants who are age 50 or older by the end of the 2013 plan year may make an additional \$5,500 catch-up contribution, which remains unchanged from 2012.
3. The limit on an employee's compensation that may be considered for retirement plan purposes increases to \$255,000 for plan years beginning in 2013.
4. The limit on annual benefits payable under defined benefit plans increases to \$205,000 for plan years beginning in 2013.
5. The limit on allocations to individual accounts in defined contribution plans increases to the smaller of \$51,000 or 100% of compensation for plan years beginning in 2013.
6. The taxable wage base for Social Security increases to \$113,700. This figure may affect the "integration level" for plans that are integrated with Social Security.
7. Employees will be classified as highly compensated employees for the plan year beginning in 2013 if their compensation in the 2012 plan year exceeded \$115,000.
8. Health savings accounts (HSAs) are a means of paying health care expenses under a high deductible health care plan. To be a high deductible health care plan, the deductible must be at least a minimum amount for the year and out-of-pocket expenses cannot exceed a maximum amount for the year. Contributions to an HSA may be made by the employer or the employee, but the total annual contribution amount from both sources cannot exceed the smaller of plan's deductible for the year or the maximum contribution amount for the year. For 2013, the adjusted amounts for HSAs are:

- Maximum contribution: Family: \$6,450 Self: \$3,250
- Minimum deductible: Family: \$2,500 Self: \$1,250
- Maximum out of pocket: Family: \$12,500 Self: \$6,250

Participants who attain age 55 by the end of the 2013 plan year may make an additional \$1,000 catch-up" contribution to their HSAs.

9. The maximum amounts that Social Security recipients may earn during 2013 without loss of Social Security benefits are as follows:

- Recipients ages 62 through full retirement age: \$1,260/mo. (\$15,120/yr.)
- Year recipient reaches full retirement age: \$3,240/mo. up to the month the recipient reaches full retirement age.
- There is no limit on earnings beginning with the month the recipient reaches full retirement age.
- "Full retirement age" for Social Security is:

YEAR OF BIRTH	FULL RETIREMENT AGE
Prior to 1938	Age 65
1938	Age 65 & 2 months
1939	Age 65 & 4 months
1940	Age 65 & 6 months
1941	Age 65 & 8 months
1942	Age 65 & 10 months
1943 - 1954	Age 66

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