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IRS Publishes 2025 Pension Plan Limits

The IRS recently announced the cost-of-living adjustments applicable to certain dollar limits for employee pension benefit plans for 2025. The resulting dollar limits are as follows:

- The annual benefit limit for defined benefit plans is increased from $275,000 to $280,000.
- The annual addition limit for defined contribution plans is increased from $69,000 to $70,000.
- The annual limit with respect to the exclusion for elective deferrals to a 401(k), 403(b) or 457(b) plan is increased from $23,000 to $23,500. The dollar limit for age 50 catch-up contributions to a 401(k), 403(b) or government 457(b) plan remains unchanged at $7,500. The dollar limit for age 60, 61, 62 or 63 catch-up contributions to a 401(k), 403(b) or government 457(b) plan is $11,250.
- The limit on annual contributions to an individual retirement arrangement (IRA) remains unchanged at $7,000. The dollar limit for age 50 catch-up contributions to an IRA remains unchanged at $1,000.
- The limit on annual contributions to SIMPLE plans and SIMPLE IRAs is increased from $16,000 to $16,500. The dollar limit for age 50 catch-up contributions to SIMPLE plans and SIMPLE IRAs remains unchanged at $3,500. The dollar limit for age 60, 61, 62 or 63 catch-up contributions to SIMPLE plans and SIMPLE IRAs is $5,250.
- The annual limit on compensation that can be taken into account under a qualified retirement plan is increased from $345,000 to $350,000.
- The dollar limit for defining key employees in a top-heavy plan is increased from $220,000 to $230,000.
- The dollar amount for determining the maximum account balance in an employee stock ownership plan subject to a five-year distribution period is increased from $1.380 million to $1.415 million. The dollar amount used to determine the lengthening of the five-year distribution period is increased from $275,000 to $280,000.
- The dollar amount limit used in the definition of "highly compensated employee" is increased from $155,000 to $160,000.

A complete list of applicable pension plan dollar limits can be found here. If you have any questions about the cost-of-living adjustments or any other employee benefits or executive compensation matter, please contact a member of Day Pitney's Employee Benefits and Executive Compensation practice group.

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