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# SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS

By Mercer's Heidi Rackley, Leslie Anderson, Margaret Berger, Brian Kearney and Barbara McGeoch  
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The IRS, PBGC, Social Security Administration (SSA), Centers for Medicare and Medicaid Services (CMS), and Puerto Rico's Treasury Department have announced 2017 cost-of-living adjustments (COLAs) for retirement, health and fringe benefit plans; Medicare; and Social Security and Supplemental Security Income (SSI). Revisions to this GRIST reflect IRS publication of 2017 adjusted dollar amounts for calculating ACA play-or-pay assessments.

## RETIREMENT PLAN LIMITS

Employer-sponsored retirement plans may be affected by annual changes to [US](#) and [Puerto Rico](#) qualified plan limits; [covered compensation](#), which is used in safe-harbor plan designs and nondiscrimination testing; and [PBGC premiums, guaranteed benefits and maximum present value](#). Other retirement-related COLAs may affect employees who are eligible for the [saver's credit](#) or have individual retirement accounts (IRAs), including [traditional and Roth IRAs](#).

## US Qualified Retirement Plan Limits

IRS [Notice 2016-62](#) provides qualified retirement plan limits for 2017. After applying the Internal Revenue Code's rounding rules, the 1.1% increase in the third-quarter Consumer Price Index for All Urban Consumers (CPI-U) from 2015 to 2016 was not enough to change the elective deferral and catch-up contribution limits for qualified defined contribution (DC) plans. But certain other limits — including Section 401(a)(17) compensation limits and Section 415 maximum annual additions and maximum annuities — will rise modestly. The following table shows the qualified retirement plan limits for 2015, 2016 and 2017, along with unrounded 2017 values — calculated by Mercer — to facilitate projections.

IRC RETIREMENT PLAN LIMIT	2017 (NOT ROUNDED)	2017	2016	2015
Treas. Reg. § 1.401(a)(9)-6 limit on premiums paid for a qualified longevity annuity contract	\$126,538	\$125,000	\$125,000	\$125,000
401(k), 403(b) and eligible 457 plan elective deferrals (and designated Roth contributions)	18,360	18,000	18,000	18,000

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

<b>IRC RETIREMENT PLAN LIMIT</b>	<b>2017 (NOT ROUNDED)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
414(v)(2)(B)(i) catch-up contributions (plans other than SIMPLE plans)	\$6,120	\$6,000	\$6,000	\$6,000
408(p)(2)(E) SIMPLE plan elective deferrals	12,709	12,500	12,500	12,500
414(v)(2)(B)(ii) SIMPLE plan catch-up contributions	3,060	3,000	3,000	3,000
408(k)(2)(C) SEP minimum compensation	610	600	600	600
415(b) DB plan maximum annuity	216,880	215,000	210,000	210,000
415(c) DC plan maximum annual addition	54,220	54,000	53,000	53,000
401(a)(17) and 408(k)(3)(C) compensation	271,100	270,000	265,000	265,000
401(a)(17) compensation for eligible participants in certain governmental plans in effect July 1, 1993	400,500	400,000	395,000	395,000
414(q)(1)(B) highly compensated employee and 414(q)(1)(C) top-paid group	122,504	120,000	120,000	120,000
416(i)(1)(A)(i) officer compensation for top-heavy plan key employee definition	176,215	175,000	170,000	170,000
Treas. Reg. § 1.61-21(f)(5) control employee for fringe benefit valuation purposes				
Officer compensation	109,100	105,000	105,000	105,000
Employee compensation	218,200	215,000	215,000	215,000
409(o)(1)(C) tax-credit ESOP limits for lengthening the distribution period				
Five-year maximum balance	1,084,400	1,080,000	1,070,000	1,070,000
One-year extension	216,880	215,000	210,000	210,000
430(c)(7)(D)(i)(II) excess compensation threshold		1,115,000*	1,106,000*	1,101,000
432(e)(9)(H)(v) systemically important multiemployer plan (billions)	1.012 B	1.012 B	1.012 B	1 B
664(g)(7) qualified gratuitous transfer of employer securities to an ESOP	49,593	45,000	45,000	45,000

\* IRS still issues inflation-adjusted excess compensation thresholds, though 2015 is the last possible year in the restriction period.

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS****Puerto Rico Qualified Retirement Plan Limits**

On Dec. 8, 2016, the Puerto Rico (PR) Treasury Secretary [announced](#) 2017 limits for PR-only plans and dual qualified plans. Most of PR's annual limits for compensation, contributions and benefits are aligned with the US qualified plan limits. An early 2017 PR law (Act 9-2017) unlinked the maximum annual addition for DC plans and highly compensated employee (HCE) threshold from the corresponding US amounts, but a later law in August 2017 reversed the change to the maximum annual addition ([Act 106-2017](#))

Pretax elective deferral limits for PR-only plans and catch-up contribution limits for both PR-only and dual-qualified plans are lower than the parallel US limits and are not indexed for inflation after 2013 (2012 for catch-up contributions). Puerto Rican participants' elective deferrals (excluding catch-ups) to dual-qualified plans, when added to deductible IRA contributions, may not exceed the sum of the elective deferral limit for PR-only plans plus the contribution limit for PR IRAs.

The next table shows the annual limits for PR-only and dual-qualified plans but does not address Puerto Rican employees of the US government.

PR CODE RETIREMENT PLAN LIMIT	2017	2016	2015
1081.01(d)(7)(A)(i) elective deferral — PR-only plans	\$15,000*	\$15,000*	\$15,000*
1081.01(d)(7)(A)(ii) elective deferral — dual-qualified plans	18,000†	18,000†	18,000†
1081.01(d)(7)(A)(iii) combined limit on elective deferrals (other than catch-up contributions) to dual-qualified plans and deductible IRA contributions	20,000*	20,000*	20,000*
1081.01(d)(7)(C)(i) catch-up contributions to both PR-only and dual-qualified plans	1,500*	1,500*	1,500*
1081.01(a)(12) annual compensation limit	270,000	265,000	265,000
1081.01(a)(11)(A)(i) DB maximum annuity	215,000	210,000	210,000
1081.01(a)(11)(B)(i) DC maximum annual addition	54,000‡§	53,000§	53,000§
1081.01(d)(3)(E)(iii)(IV) highly compensated employee threshold	120,000§§	120,000	120,000

\* Limit is set by statute and is not indexed for inflation.

† Participants age 75 or older may be subject to a \$15,000 limit because their IRA limit is zero.

‡ The announced limit for 2017 doesn't reflect Act 9-2017, which uncoupled the maximum annual addition from the limit for US qualified plans and set Puerto Rico's limit at \$75,000, with no indexing for inflation. Act 106-2017 reversed the earlier law and restored the link to the limits for US qualified plans.

§ 1081.01(a)(15) cumulative cap on after-tax contributions is 10% of aggregate pay while participating.

§§ The announced thresholds for 2017 doesn't reflect Act 9-2017, which uncoupled the highly compensated employee threshold from the figure for US qualified plans and set Puerto Rico's threshold at \$150,000, with no indexing for inflation

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS****Covered Compensation**

Qualified DB pension plans use covered compensation to determine “permitted disparity” under Section 401(l) design-based safe-harbor rules and “imputed disparity” under Section 401(a)(4) general nondiscrimination testing rules. Covered compensation is the average Old-Age, Survivors and Disability Insurance (OASDI) contribution and benefit base for the 35 years ending with the year the employee reaches Social Security retirement age. The IRS rounds Social Security retirement ages up to the next higher integer for covered compensation purposes, even though the actual Social Security full retirement age increases in two-month increments. Qualified plans have the option to determine permitted or imputed disparity using either actual or a rounded covered compensation.

The next table shows covered compensation amounts for individuals who have already reached Social Security full retirement age. (At that age, covered compensation becomes fixed and is no longer affected by annual changes in the OASDI contribution and benefit base.)

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION	
	AGE	YEAR	NOT ROUNDED	ROUNDED
1920	65	1985	\$12,276	\$12,000
1921	65	1986	13,368	12,000
1922	65	1987	14,520	15,000
1923	65	1988	15,708	15,000
1924	65	1989	16,968	18,000
1925	65	1990	18,312	18,000
1926	65	1991	19,728	21,000
1927	65	1992	21,192	21,000
1928	65	1993	22,716	24,000
1929	65	1994	24,312	24,000
1930	65	1995	25,920	27,000
1931	65	1996	27,576	27,000
1932	65	1997	29,304	30,000
1933	65	1998	31,128	30,000
1934	65	1999	33,060	33,000
1935	65	2000	35,100	36,000

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION	
	AGE	YEAR	NOT ROUNDED	ROUNDED
1936	65	2001	37,212	36,000
1937	65	2002	39,444	39,000
1938	65 & 2 months	2004	43,992	45,000
1939	65 & 4 months	2005	46,344	45,000
1940	65 & 6 months	2006	48,816	48,000
1941	65 & 8 months	2007	51,348	51,000
1942	65 & 10 months	2008	53,952	54,000
1943	66	2009	56,628	57,000
1944	66	2010	59,268	60,000
1945	66	2011	\$61,884	\$63,000
1946	66	2012	64,560	66,000
1947	66	2013	67,308	66,000
1948	66	2014	69,996	69,000
1949	66	2015	72,636	72,000
1950	66	2016	75,180	75,000

The next table shows 2017 amounts for individuals below Social Security full retirement age [announced](#) by the IRS on Feb. 27. For 2017, covered compensation is determined using the 2017 Social Security taxable wage base of \$127,200 — a 7.34% increase from the \$118,500 wage base used to determine 2015 and 2016 covered compensation.

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2017	2016	2017	2016
1951	66	2017	\$77,880	\$77,640	\$78,000	\$78,000
1952	66	2018	80,496	80,004	81,000	81,000

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YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2017	2016	2017	2016
1953	66	2019	\$83,052	\$82,308	\$84,000	\$81,000
1954	66	2020	85,560	84,564	87,000	84,000
1955	66 & 2 months	2022	90,372	88,884	90,000	90,000
1956	66 & 4 months	2023	92,724	90,984	93,000	90,000
1957	66 & 6 months	2024	94,980	93,000	96,000	93,000
1958	66 & 8 months	2025	97,152	94,920	96,000	96,000
1959	66 & 10 months	2026	99,264	96,780	99,000	96,000
1960	67	2027	101,304	98,580	102,000	99,000
1961	67	2028	103,296	100,320	102,000	99,000
1962	67	2029	105,204	101,964	105,000	102,000
1963	67	2030	107,088	103,608	108,000	105,000
1964	67	2031	108,924	105,204	108,000	105,000
1965	67	2032	110,700	106,716	111,000	108,000
1966	67	2033	112,380	108,144	111,000	108,000
1967	67	2034	113,940	109,464	114,000	108,000
1968	67	2035	115,392	110,664	114,000	111,000
1969	67	2036	116,724	111,756	117,000	111,000
1970	67	2037	117,936	112,716	117,000	114,000
1971	67	2038	119,088	113,616	120,000	114,000
1972	67	2039	120,204	114,492	120,000	114,000
1973	67	2040	121,272	115,308	120,000	114,000
1974	67	2041	122,220	116,004	123,000	117,000
1975	67	2042	123,060	116,604	123,000	117,000
1976	67	2043	123,780	117,072	123,000	117,000

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2017	2016	2017	2016
1977	67	2044	\$124,368	\$117,408	\$123,000	\$117,000
1978	67	2045	124,944	117,744	126,000	117,000
1979	67	2046	125,532	118,080	126,000	118,500
1980	67	2047	126,024	118,320	126,000	118,500
1981	67	2048	126,408	118,452	126,000	118,500
1982	67	2049	126,696	118,500	127,200	118,500
1983	67	2050	126,948	118,500	127,200	118,500
1984+	67	2051	127,200	118,500	127,200	118,500

**PBGC Premiums, Guaranteed Benefits and Maximum Present Value**

In late October 2016, the PBGC announced 2017 premium rates and the maximum guaranteed benefit for terminating plans. The agency released the Present Value of PBGC Maximum Guarantee table — which is used to administer Section 436 restrictions on lump sums and other accelerated payments — on Dec. 2, 2016.

The 2017 [premium rates](#) reflect changes made by the Bipartisan Budget Act of 2015:

- *Flat-rate premiums.* The 2017 single-employer flat-rate premium is set by statute. The multiemployer flat-rate premium has been indexed annually for wage inflation since 2016.
- *Variable-rate premiums.* The \$4 increase in the variable-rate premium from \$30 in 2016 to \$34 in 2017 comprises a \$1 increase for wage inflation (rounded to the nearest dollar) plus a \$3 statutory increase. The per-participant variable-rate premium cap was set by statute for 2016 and is adjusted for wage inflation in 2017.

On Oct. 28, 2016, PBGC [announced](#) the maximum guaranteed benefit for plans terminating in 2017 will rise to \$64,432 from \$60,136 in 2015 and 2016. This amount is determined using the Social Security “old law” contribution and benefit base (see [Social Security and SSI Amounts](#)). The maximum guaranteed benefit is adjusted if benefit payments start before (or after) age 65 or are paid in a form other than a single-life annuity. Some of the guaranteed amount may be paid from the plan’s assets, and participants may receive more if the plan is better funded or the PBGC can recover other amounts from the plan sponsor.

## SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS

PBGC AMOUNT	2017	2016	2015
Flat-rate premium — single-employer plans	\$69*	\$64*	\$57*
Flat-rate premium — multiemployer plans	28	27	26
Variable-rate premium per \$1,000 of unfunded vested benefits	34	30	24*
Per-participant variable-rate premium cap	517	500*	418
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	64,432	60,136	60,136
* Value is set by statute.			

The [2017 present value of the PBGC maximum guarantee](#) is substantially higher than the 2016 present value at all ages. This reflects the increase in the maximum guaranteed benefit and the changes in 417(e) lump sum segment rates. The August 2016 rates used to determine the 2017 present values (1.39%, 3.27% and 4.18%) are lower than the August 2015 rates used to determine 2016 values (1.68%, 4.05% and 4.98%). DB pension plans use this table to administer funding-based restrictions on lump sums and other accelerated distributions. Plans at least 60% but less than 80% funded may only pay lump sums (or other accelerated distributions) up to the lesser of (i) 50% of the present value of the benefit otherwise payable or (ii) the present value of the participant's PBGC maximum guarantee. Plans subject to the restrictions must use the 2017 table for annuity starting dates in 2017, regardless of the plan year. The next table shows the present values for 2017 and the two prior years. The [full table](#) of present values for every year back to 2008 is available on the PBGC website, along with a downloadable [Excel table](#).

PRESENT VALUE OF PBGC MAXIMUM GUARANTEE				PRESENT VALUE OF PBGC MAXIMUM GUARANTEE			
AGE	2017*	2016†	2015‡	AGE	2017*	2016†	2015‡
25	\$153,783	\$122,779	\$124,497	56	\$606,399	\$492,592	\$500,893
26	160,244	128,478	130,275	57	634,003	518,826	527,531
27	166,980	134,119	135,995	58	662,612	546,226	555,270
28	174,001	139,692	141,646	59	692,292	574,873	584,183
29	181,320	145,191	147,221	60	723,114	604,855	614,353
30	188,948	150,617	152,723	61	759,827	641,587	651,846
31	196,902	155,964	158,144	62	797,072	678,933	689,717
32	205,200	161,228	163,482	63	834,926	717,708	728,037
33	213,858	166,409	168,736	64	873,637	758,319	768,743



**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

PRESENT VALUE OF PBGC MAXIMUM GUARANTEE				PRESENT VALUE OF PBGC MAXIMUM GUARANTEE			
AGE	2017*	2016†	2015‡	AGE	2017*	2016†	2015‡
34	\$222,890	\$171,500	\$173,899	65	\$913,208	\$795,820	\$806,683
35	232,313	176,493	178,962	66	977,460	853,435	864,988
36	242,144	187,237	189,857	67	1,045,191	914,325	926,578
37	252,400	197,803	200,571	68	1,123,706	984,916	997,960
38	263,099	208,180	211,095	69	1,211,115	1,063,616	1,077,514
39	274,258	218,357	221,416	70	1,305,828	1,149,073	1,163,855
40	285,896	228,314	231,515	71	1,471,154	1,297,156	1,313,554
41	298,036	238,044	241,383	72	1,620,616	1,431,852	1,449,608
42	310,700	247,526	251,000	73	1,754,354	1,553,199	1,572,053
43	323,916	256,750	260,356	74	1,871,888	1,660,708	1,680,421
44	337,708	265,700	269,434	75	1,973,518	1,754,551	1,774,888
45	352,104	274,356	278,214	76	2,307,696	2,055,996	2,079,248
46	372,219	293,573	297,704	77	2,603,277	2,324,280	2,349,918
47	392,870	312,242	316,639	78	2,862,407	2,561,046	2,588,542
48	414,069	330,329	334,984	79	3,085,174	2,766,176	2,795,055
49	435,838	347,799	352,703	80	3,272,689	2,940,434	2,970,268
50	458,194	364,612	369,756	81	4,079,093	3,672,531	3,708,724
51	481,164	380,730	386,104	82	4,782,529	4,314,594	4,355,895
52	504,763	397,866	403,984	83	5,389,582	4,871,911	4,917,196
53	529,033	420,199	426,939	84	5,898,816	5,342,697	5,391,092
54	554,023	443,387	450,701	85	6,321,974	5,736,827	5,787,505
55	579,776	467,483	475,319				

\* Present value determined using August 2016 lump sum segment rates of 1.39%, 3.27%, and 4.18%

† Present value determined using August 2015 lump sum segment rates of 1.68%, 4.05% and 4.98%

‡ Present value determined using August 2014 lump sum segment rates of 1.24%, 3.86% and 4.96%.

**Saver’s Credit**

[Notice 2016-62](#) provides adjusted gross income (AGI) levels at which a “saver’s credit” is available for employee contributions to a qualified retirement plan or IRA. The 0.8% increase in the average CPI-U for the 12 months ending Aug. 31, 2016, wasn’t enough to change AGI thresholds for the 50% and 20% saver’s credit after rounding, but thresholds for the 10% credit will rise slightly.

<b>SAVER’S CREDIT AGI THRESHOLDS (IRC § 25B)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>50% saver’s credit if AGI is no more than specified amount</b>			
Married filing jointly	\$37,000	\$37,000	\$36,500
Head of household	27,750	27,750	27,375
Other filing status	18,500	18,500	18,250
<b>20% saver’s credit if AGI exceeds threshold for 50% credit but is no more than specified amount</b>			
Married filing jointly	40,000	40,000	39,500
Head of household	30,000	30,000	29,625
Other filing status	20,000	20,000	19,750
<b>10% saver’s credit if AGI exceeds threshold for 20% credit but is no more than specified amount</b>			
Married filing jointly	62,000	61,500	61,000
Head of household	46,500	46,125	45,750
Other filing status	31,000	30,750	30,500

**Traditional and Roth IRA Limits**

Maximum 2017 deductions for contributions to traditional IRAs remain unchanged after rounding. AGI phaseout thresholds for Roth IRA contributions and a qualified plan participant’s deductible contributions to a traditional IRA will increase slightly in 2017. This is due to the modest 0.8% increase in the average CPI-U for the 12 months ending Aug. 31, 2016. The catch-up contribution limit and AGI thresholds for married taxpayers filing separately are not adjusted for cost-of-living changes. The next table summarizes the 2017 IRA limits [announced](#) by IRS, along with the limits for the previous two years.

<b>TRADITIONAL AND ROTH IRA LIMITS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Traditional IRA deduction limits (IRC §§ 219(b)(5) and 219(g)(3)(B))</b>			
IRA maximum deductible amount	\$5,500	\$5,500	\$5,500
IRA catch-up contribution limit*	1,000	1,000	1,000

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<b>TRADITIONAL AND ROTH IRA LIMITS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Modified AGI threshold for determining deductible IRA contributions for active participants in qualified plans			
Married filing jointly or qualifying widow(er)	\$99,000	\$98,000	\$98,000
Married filing separately*	0	0	0
Single or head of household	62,000	61,000	61,000
Spouse (but not taxpayer making IRA contribution) is active participant	186,000	184,000	183,000
<b>Roth IRA contribution limits (IRC § 408A(c)(3)(C)(ii))</b>			
AGI for determining maximum Roth IRA contribution			
Married filing jointly or qualifying widow(er)	186,000	184,000	183,000
Married filing separately*	0	0	0
Other filing status	118,000	117,000	116,000
* Limit is not adjusted for cost-of-living changes.			

**HEALTH AND FRINGE BENEFIT LIMITS**

Typically every autumn, IRS updates the annual Code limits for certain health and fringe benefits, including parking and transit benefits, health flexible spending arrangements (FSAs), Archer medical savings accounts (MSAs), adoption assistance programs, and long-term care (LTC) plans. COLAs for [health savings accounts \(HSAs\)](#) and [high-deductible health plans \(HDHPs\)](#) are usually announced earlier in the year. Annually adjusted limits also apply to certain cost-sharing features of [nongrandfathered group health plans](#), [shared-responsibility assessments](#) and individual eligibility for [premium tax credits](#) under the ACA.

**Commuter, Health FSA, Archer MSA, Adoption and LTC Limits**

[Rev. Proc. 2016-55](#) provides 2017 limits for health FSAs, Archer MSAs, qualified transportation benefits, adoption assistance benefits and qualified LTC plans. Before rounding, the 2017 health FSA, Archer MSA, transit and adoption limits reflect the 0.8% increase in the average CPI-U for the 12 months ending Aug. 31, 2016. Qualified LTC premium and per diem limits for 2017 reflect the 4.9% increase in the medical care component of the CPI-U from August 2015 to August 2016. After applying the Code's rounding rules, several limits are unchanged from 2016, while others will rise slightly.

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

<b>COMMUTER, HEALTH FSA, ARCHER MSA, ADOPTION AND LTC LIMITS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Qualified transportation fringe benefits (IRC § 132(f))</b>			
Monthly parking, transit passes or commuter highway vehicle transportation	\$255	\$255	\$250
<b>Health FSA limit (IRC § 125(i))</b>			
Maximum salary reduction contribution	2,600	2,550	2,550
<b>Archer MSA limits (IRC § 220(c)(2))</b>			
Self-only coverage			
Minimum annual deductible	2,250	2,250	2,200
Maximum annual deductible	3,350	3,350	3,300
Maximum out-of-pocket limit	4,500	4,450	4,450
Family coverage			
Minimum annual deductible	4,500	4,450	4,450
Maximum annual deductible	6,750	6,700	6,650
Maximum out-of-pocket limit	8,250	8,150	8,150
<b>Qualified adoption assistance benefits (IRC § 137)</b>			
Exclusion for child with special needs (regardless of expenses incurred)	13,570	13,460	13,400
Aggregate dollar limit for all tax years (child without special needs)	13,570	13,460	13,400
Phaseout begins at modified AGI of	203,540	201,920	201,010
Phaseout completed at modified AGI of	243,540	241,920	241,010
<b>Qualified LTC plan limits (IRC § 213(d) and 7702B(d)(4))</b>			
Premium limits at age			
40 or younger	410	390	380
41–50	770	730	710
51–60	1,530	1,460	1,430
61–70	4,090	3,900	3,800
Older than 70	5,110	4,870	4,750
Per diem limit	360	340	330

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS****HSA and HDHP Limits**

IRS announced 2017 limits on HSA contributions, minimum HDHP deductibles and maximum HDHP out-of-pocket costs on April 29, 2016 ([Rev. Proc. 2016-28](#)). The maximum annual HSA contribution for single coverage will increase to \$3,400 in 2017 (from \$3,350 in 2016), reflecting a 0.4% rise in average CPI-U for the 12 months ending March 31, 2016. After applying the Code's rounding rules, all other 2017 HSA and HDHP amounts will remain unchanged from 2016. The 2017 HDHP out-of-pocket maximums are lower than the corresponding [ACA limits for nongrandfathered group health plans](#). Since 2009, the HSA catch-up contribution limit at age 55 and older doesn't undergo annual adjustment. The next table shows the IRS limits for 2015–2017.

<b>HSA AND HDHP LIMITS (IRC § 223)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Self-only coverage			
Maximum tax-deductible HSA contribution	\$3,400	\$3,350	\$3,350
HDHP minimum annual deductible	1,300	1,300	1,300
HDHP out-of-pocket maximum	6,550	6,550	6,450
Family coverage			
Maximum tax-deductible HSA contribution	6,750	6,750	6,650
HDHP minimum annual deductible	2,600	2,600	2,600
HDHP out-of-pocket maximum	13,100	13,100	12,900
HSA catch-up contribution limit at age 55 or older	1,000	1,000	1,000

**ACA Nongrandfathered Group Health Plan Out-of-Pocket Maximum**

The ACA limits annual out-of-pocket costs for essential health benefits under nongrandfathered group health plans (unless they provide only excepted benefits, such as limited-scope dental or vision coverage). Annual adjustments to these ACA limits after 2014 reflect increases in the US average per-person health insurance premium since 2013 and differ from the CPI-based adjustments to HDHP maximums.

Beginning in 2016, nongrandfathered group health plans — including large-group and self-funded ones — with an annual out-of-pocket limit for family coverage exceeding the permitted self-only limit must “embed” individual out-of-pocket limits at or below the ACA limit for self-only coverage.

The next table shows the 2015–2017 out-of-pocket limits on essential health benefits published in the annually updated HHS [Notice of Benefit and Payment Parameters](#). The maximums apply on a plan-year basis, so the 2017 limit will apply on the first day of the plan year starting in 2017.

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

<b>ACA NONGRANDFATHERED GROUP HEALTH PLAN OUT-OF-POCKET LIMITS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Self-only coverage	\$7,150	\$6,850	\$6,600
Family coverage			
Total out-of-pocket limit	14,300	13,700	13,200
Embedded individual out-of-pocket limit (if applicable)	7,150	6,850	N/A

**ACA Shared-Responsibility Assessments**

Under the ACA's shared-responsibility requirement, employers must offer most full-time employees health coverage or risk paying one of two IRS assessments. One potential assessment under Section 4980H(a) applies to employers that don't offer coverage to nearly all (95%) full-time employees and their dependents. The other assessment under Section 4980H(b) applies to employers sponsoring coverage that either (i) isn't offered to some full-time employees or (ii) is offered but doesn't meet ACA's affordability or minimum-value standards. While the 4980H(a) assessment is calculated based on an employer's total number of full-time employees, the 4980H(b) assessment applies per full-time employee who receives subsidized coverage from a public exchange. An IRS FAQ ([Q&A-55](#)) provides adjusted dollar amounts used to calculate employer play-or-pay assessments.

Individual taxpayers are also subject to a shared-responsibility assessment for any months in which they don't have minimum essential coverage. The assessment is the greater of a flat dollar amount or a percentage of income amount, calculated on a monthly basis and subject to a cap. The 2017 tax law reduces the individual shared-responsibility assessment to zero beginning in 2019.

The table below shows the annual amounts for both the employer and individual shared-responsibility assessments for 2015, 2016 and 2017, though the assessments are incurred on a monthly basis.

<b>ACA SHARED-RESPONSIBILITY ASSESSMENTS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Employer play-or-pay assessments (IRC § 4980H)</b>			
Not offering coverage (4980H(a))	\$2,260	\$2,160	\$2,080
Offering coverage lacking minimum value or affordability (4980H(b))	3,390	3,240	3,120

ACA SHARED-RESPONSIBILITY ASSESSMENTS	2017	2016	2015
<b>Individual penalty for not maintaining minimum essential coverage (IRC § 5000A(c))<sup>‡</sup></b>			
Applicable flat dollar amount	\$695	\$695	\$325
Applicable percentage of household income	2.5%	2.5%	2%
<sup>‡</sup> Taxpayers' individual assessments are subject to various additional and in some cases alternative factors that are not adjusted for the cost of living.			

### ACA Premium Tax Credit Eligibility

Employers that don't offer affordable, minimum-value health coverage for employees and their children risk play-or-pay assessments if any employee receives a premium tax credit or cost-sharing subsidy for public exchange coverage. Affordability depends on how much an employee must pay as a percentage of household income for self-only coverage under the least expensive employer option with minimum value. Initially set at 9.5% of household income for 2014, this limit is annually indexed to reflect growth in premiums relative to incomes over the past year. Starting in 2018, the limit will have an additional adjustment for premium growth in excess of CPI growth.

The 2017 affordability limit is 9.69% ([Rev. Proc. 2016-24](#)). The table below shows the 2015–2017 limits, which determine premium tax credit eligibility for each employee. The same limit applies to employees' spouses and dependents, even though the affordability is tied to employee-only rates.

ACA PREMIUM TAX CREDIT ELIGIBILITY	2017	2016	2015
Maximum percentage of household income for least expensive self-only coverage with minimum value offered by employer	9.69%	9.66%	9.56%

While failure to offer affordable coverage creates the risk of play-or-pay assessments, most employers don't know their employees' household incomes. As a result, a safe harbor definition of affordability for employer shared-responsibility assessment purposes limits the employee cost for self-only, minimum-value coverage from an employer to 9.5% (in 2014) of one of three monthly amounts: W-2 wages, rate of pay or the federal poverty level's single-income threshold. This percentage is indexed using the same ACA formula as the household income percentage ([Notice 2015-87, Q&A-12](#)).

### MEDICARE PREMIUMS, COINSURANCE, DEDUCTIBLES AND RX SUBSIDY

On Nov. 10, 2016, CMS [released](#) the 2017 beneficiary premiums, deductibles and other cost-sharing amounts for Medicare Parts A and B. [Part A](#) monthly premiums, annual deductible and coinsurance amounts will increase approximately 2.2%. The 2017 [Part B](#) annual deductible, standard monthly premium and income-adjusted monthly premiums reflect changes made by the Bipartisan Budget Act of 2015 and other adjustments. The 2017 [Part D](#) income-based premiums and other limits came out earlier in 2016.

**Part A — Hospital Insurance**

Medicare Part A beneficiaries are subject to a deductible for inpatient hospital stays. If hospitalized more than 60 days, beneficiaries also must pay daily coinsurance, which varies by the length of the stay. Beneficiaries who receive services in a skilled nursing facility are subject to separate daily coinsurance.

Although most individuals qualify for premium-free Part A coverage, those who don't have enough quarters of Medicare [covered employment](#) must pay monthly premiums. The Part A premium depends on how many covered quarters a beneficiary has and whether Medicare enrollment is due to age (such as seniors age 65 and older) or disability. The table below shows the Part A deductibles, coinsurance amounts and premiums for 2015–2017. (For more detail on how these amounts are calculated, see the CMS notices on the [Part A premium](#) and [Part A deductible and coinsurance](#).)

<b>PART A — HOSPITAL INSURANCE</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Hospital inpatient deductible	\$1,316.00	\$1,288.00	\$1,260.00
Hospital daily coinsurance			
Days 61–90	329.00	322.00	315.00
Lifetime reserve days	658.00	644.00	630.00
Skilled nursing facility daily coinsurance	\$164.50	161.00	157.50
Monthly premium			
Seniors and certain people with disabilities under age 65 with fewer than 30 quarters of coverage	413.00	411.00	407.00
Seniors with 30–39 quarters of coverage and certain people with disabilities who have at least 30 quarters of coverage	227.00	226.00	224.00

**Part B — Medical Insurance**

Medicare beneficiaries with Part B coverage pay monthly premiums and an annual deductible. People in higher-income brackets pay higher premiums on a graduated scale that increases with annual income.

**Small increase in 2017 Part B premium for many.** Although the standard monthly Part B premium will increase to \$134 in 2017 (up from \$121.80 in 2016), roughly 70% of Medicare beneficiaries will pay only \$109 in 2017 (up from \$104.90 in 2016). This group is primarily made up of existing recipients of Social Security and Medicare benefits who aren't higher-income beneficiaries and have had Part B premiums deducted from their monthly Social Security checks in 2016. These individuals are protected by a special Medicare provision that prohibits year-to-year reductions in Social Security benefits caused solely by higher Part B premiums. Because Social Security benefits will increase very slightly next year, beneficiaries who have Part B premiums deducted from their Social Security checks would see reduced net benefits if the full standard 2017 premium applied.



**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

**Limited 2017 Part B premium increase for some.** Medicare beneficiaries who haven't had Part B premiums deducted from their Social Security checks in 2016 or have higher incomes will pay the standard or a higher monthly Part B premium in 2017. The table below lists the Part B deductibles and monthly premiums for 2015–2017, including the income-adjusted premiums for higher-income beneficiaries. The amounts shown would have increased more for some beneficiaries, but to keep costs affordable, federal action has limited the premiums for 2016 and 2017 (CMS [press release](#), Nov. 10, 2016). For details on how these amounts are calculated, see the CMS notice on [Part B premiums and deductibles](#).

PART B — MEDICAL INSURANCE		2017	2016	2015
Annual deductible		\$183.00	\$166.00	\$147.00
Monthly premium for modified AGI of				
	<u>Single</u>			
	<u>Married filing jointly</u>			
\$0 – \$85,000*	\$0 – \$170,000*	134.00 <sup>†</sup>	121.80 <sup>†</sup>	104.90
85,001 – 107,000	170,001 – 214,000	187.50	170.50	146.90
107,001 – 160,000	214,001 – 320,000	267.90	243.60	209.80
160,001 – 214,000	320,001 – 428,000	348.30	316.70	272.70
214,001 or more	428,001 or more	428.60	389.80	335.70
	<u>Married filing separately</u>			
	\$0 – \$85,000	134.00 <sup>†</sup>	121.80 <sup>†</sup>	104.90
	85,001 – 129,000	348.30	316.70	272.70
	129,001 or more	428.60	389.80	335.70

\* Income bracket for most beneficiaries.

<sup>†</sup> This premium amount applies only to beneficiaries who aren't eligible for the hold harmless provision in the Medicare law.

### Part D — Outpatient Prescription Drug Coverage

Medicare Part D's outpatient prescription drug coverage requires enrollees to pay premiums, deductibles and copayments, which are indexed each year to reflect changes in Medicare beneficiaries' average total drug expenses. Annual indexing also applies to the retiree drug subsidy (RDS), which reimburses a portion of retiree drug plan sponsors' expenses for individuals who are eligible for but not enrolled in a Part D plan. Rather than continue in the RDS program, many employers have turned to employer group waiver plans (EGWPs) for greater cost savings due to ACA provisions. However, Medicare payments to EGWPs now are expected to decline — by a CMS-estimated average of 2.5% — as CMS phases in changes to EGWP payment methodology during 2017 and 2018.

The Part D program charges higher premiums to higher-income enrollees. The usual monthly premium is paid to the plan; the added amount (or “adjustment”) for higher-income beneficiaries is deducted from an enrollee's Social Security benefits and paid to Medicare. The next table summarizes 2015, 2016 and 2017 Part D [benefit parameters](#), [RDS benefits](#) and the monthly Part D premium adjustments for different annual income tiers [released](#) by CMS earlier this year.

<b>PART D BENEFITS AND RDS AMOUNTS</b>		<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Standard Part D benefit</b>				
Deductible		\$400.00	\$360.00	\$320.00
Initial coverage limit		3,700.00	3,310.00	2,960.00
Out-of-pocket threshold		4,950.00	4,850.00	4,700.00
Total covered Part D drug out-of-pocket threshold: out-of-pocket threshold + 75% (initial coverage limit – deductible)		7,425.00	7,062.50	6,680.00
<b>Minimum cost-sharing for catastrophic coverage</b>				
Generic/preferred		3.30	2.95	2.65
Other		8.25	7.40	6.60
<b>Retiree drug subsidy (RDS)</b>				
Cost threshold (Part D deductible)		400.00	360.00	320.00
Cost limit		8,250.00	7,400.00	6,600.00
Maximum subsidy per retiree: 28% × (cost limit – cost threshold)		2,198.00	1,971.20	1,758.40
<b>Monthly Part D premium</b>				
Base beneficiary premiums (national average Part D premium)		\$35.63	\$34.10	\$33.13
<b>Monthly premium for modified AGI of</b>				
	<u>Single</u>	<u>Married filing jointly</u>		
	\$0 – \$85,000*	\$0 – \$170,000*	0.00	0.00
	85,001 – 107,000	170,001 – 214,000	13.30	12.70
	107,001 – 133,500	214,001 – 267,000	34.20	32.80
	133,501 – 160,000	267,001 – 320,000	34.20	32.80
	160,001 – 214,000	320,001 – 428,000	55.20	52.80
	214,001 or more	428,001 or more	76.20	72.90
		<u>Married filing separately</u>		
		\$0 – \$85,000	0.00	0.00
		85,001 – 129,000	55.20	52.80
		129,001 or more	76.20	72.90
* Income bracket for most beneficiaries.				

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS****SOCIAL SECURITY AND SSI AMOUNTS**

On Oct. 18, 2016, the SSA [announced](#) that 2017 benefits will receive a tiny 0.3% cost-of-living increase, reflecting the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2015 to 2016. Other 2017 Social Security amounts are tied to the 3.5% increase in [average annual wages](#) from 2014 to 2015. By law, some values — including the OASDI taxable wage base, amounts exempt from the retirement earnings test, and SSI limits — cannot increase when Social Security benefits don't receive a COLA. That happened in 2016, so the 2017 values reflect two years' wage inflation — a 7.34% increase over the constrained 2016 amounts. The next table shows key Social Security values for 2015–2017 from SSA's 2016 [fact sheet](#) and [automatic determinations](#) webpage.

<b>SOCIAL SECURITY AND SSI VALUES</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cost-of-living increase	0.3%	0.0%	1.7%
Average annual wage (second preceding year)	\$48,098.63	\$46,481.52	\$44,888.16
OASDI contribution and benefit base (wage base)	127,200	118,500*	118,500
“Old law” contribution and benefit base	94,500	88,200*	88,200
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	16,920	15,720*	15,720
Year individual attains full retirement age (period before attaining full retirement age)	44,880	41,880*	41,880
Wages needed for a quarter of coverage	1,300	1,260	1,220
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,170	1,130	1,090
Substantial gainful activity — blind	1,950	1,820*	1,820
Trial work period	840	810	780
Coverage thresholds for			
Domestic employees	2,000	2,000	1,900
Election workers	1,800	1,700	1,600
Bend-points — PIA formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to	885	856	826
32% of AIME over first bend-point up to	5,336	5,157	4,980
15% of AIME over second bend-point			

<b>SOCIAL SECURITY AND SSI VALUES</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Bend-points — maximum family benefit formula applied to worker’s PIA			
150% of PIA up to	\$1,131	\$1,093	\$1,056
272% of PIA over first bend-point up to	1,633	1,578	1,524
134% of PIA over second bend-point up to	2,130	2,058	1,987
175% of PIA over third bend-point			
SSI federal payment standard (monthly amounts)			
Individual	735	733*	733
Couple	1,103	1,100*	1,100
SSI student exclusion limits			
Monthly limit	1,790	1,780*	1,780
Annual limit	7,200	7,180*	7,180
* The lack of any 2016 COLA kept this amount — which would otherwise have increased — from changing.			

## RELATED RESOURCES

- [Act 106-2017](#) (PR Office of Legislative Services, Aug. 23, 2017)
- [Rev. Rul. 2017-05](#) (IRS, Feb. 27, 2017)
- [CC PC 16-07](#) (PR Treasury, Dec. 8, 2016)
- [2017 Medicare Parts A & B Premiums and Deductibles Announced](#) (CMS, Nov. 10, 2016)
- [PBGC Guarantee Limit for Single-Employer Plans Increases for 2018](#) (PBGC, Oct. 28, 2016)
- [Current and Historical Premium Rates](#) (PBGC, updated annually)
- [Present Value of PBGC Maximum Guarantee for Past 12 Years](#) (PBGC, updated annually)
- [Notice 2016-62](#) (IRS, Oct. 27, 2016)
- [Rev. Proc. 2016-55](#) (IRS, Oct. 24, 2016)

**SUMMARY OF 2017 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS**

- [2017 Social Security Changes](#) (SSA Oct. 18, 2016)
- [Covered Employment for Social Security Credits](#) (SSA)
- [National Average Wage Index](#) (SSA)
- [Social Security Amounts Determined by Automatic Adjustment](#) (SSA)
- [Annual Release of Part D National Average Bid Amount](#) (CMS, July 29, 2016)
- [Annual RDS Cost Threshold and Cost Limit by Plan Year](#) (CMS, updated annually)
- [Rev. Proc. 2016-28](#) (IRS, April 29, 2016)
- [Rev. Proc. 2016-24](#) (IRS, April 11, 2016)
- [Announcement of 2017 Medicare Part D Payment Policies](#) (CMS, April 4, 2016)
- [HHS Notice of Benefit and Payment Parameters for 2017](#) (Federal Register, March 8, 2016)
- [Q&As on ACA Employer Shared-Responsibility Provisions](#) (IRS)
- [Notice 2015-87](#) (IRS, Dec. 16, 2015)

*Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.*