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SUMMARY OF 2018 BENEFIT-RELATED COST-OF-LIVING ADJUSTMENTS

*By Mercer's Margaret Berger, James Chakan, Katharine Marshall and Barbara McGeoch
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The IRS has announced updated 2018 benefits-related cost-of-living adjustments (COLAs), reflecting changes to inflation indexing as enacted in the 2017 tax law ([PL 115-97](#)). After rounding, most indexed health and welfare benefits limits as well as traditional and Roth IRA limits haven't changed from previously announced amounts. Qualified retirement plan limits were unaffected by the indexing changes.

SWITCH TO CHAINED CPI

Before the tax law was enacted, the IRS, PBGC, Social Security Administration (SSA), Centers for Medicare and Medicaid Services (CMS), and Puerto Rico Treasury Department announced 2018 COLAs for retirement, health and fringe benefit plans; Medicare; and Social Security and Supplemental Security Income (SSI). At that time, the Internal Revenue Code (IRC) indexed many benefit limits using the 12-month change in the Consumer Price Index for All Urban Consumers (regular CPI). But the new tax law switched the annual inflation adjustment to the chained [Consumer Price Index for All Urban Consumers](#) (chained CPI) for most indexed health and welfare benefits and IRA limits, as well as a long list of tax-related thresholds, such as tax brackets and standard deductions. Annual adjustments to qualified retirement plan limits will continue to use the regular CPI.

The switch to chained CPI slightly reduced the previously published limits for adoption assistance programs, health savings accounts and Archer medical savings accounts. All other limits listed in this article were unaffected, and previously published amounts remain in effect.

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 2017-64](#) provides qualified retirement plan limits for 2018. After applying the Code's rounding rules, the 2.0% increase in the third-quarter CPI from 2016 to 2017 raised several limits, including

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limitations on elective deferrals for defined contribution (DC) plans (other than SIMPLE plans) and qualified plan compensation, and Section 415 annuity and annual addition limits. But certain other limits — including the highly compensated employee (HCE) threshold and caps on catch-up contributions and elective deferrals for SIMPLE plans — didn't change. The following table shows the qualified retirement plan limits for 2016, 2017 and 2018, along with unrounded 2018 values — calculated by Mercer — to facilitate projections.

IRC RETIREMENT PLAN LIMIT	2018 (NOT ROUNDED)	2018	2017	2016
Treas. Reg. § 1.401(a)(9)-6 limit on premiums paid for a qualified longevity annuity contract	\$131,325	\$130,000*	\$125,000	\$125,000
401(k), 403(b) and eligible 457 plan elective deferrals (and designated Roth contributions)	18,722	18,500	18,000	18,000
414(v)(2)(B)(i) catch-up contributions (plans other than SIMPLE plans)	6,241	6,000	6,000	6,000
408(p)(2)(E) SIMPLE plan elective deferrals	12,959	12,500	12,500	12,500
414(v)(2)(B)(ii) SIMPLE plan catch-up contributions	3,120	3,000	3,000	3,000
408(k)(2)(C) SEP minimum compensation	622	600	600	600
415(b) DB plan maximum annuity	221,152	220,000	215,000	210,000
415(c) DC plan maximum annual addition	55,288	55,000	54,000	53,000
401(a)(17) and 408(k)(3)(C) compensation	276,440	275,000	270,000	265,000
401(a)(17) compensation for eligible participants in certain governmental plans in effect July 1, 1993	408,380	405,000	400,000	395,000
414(q)(1)(B) highly compensated employee and 414(q)(1)(C) top-paid group	124,912	120,000	120,000	120,000
416(i)(1)(A)(i) officer compensation for top-heavy plan key employee definition	179,686	175,000	175,000	170,000
Treas. Reg. § 1.61-21(f)(5) control employee for fringe benefit valuation purposes				
Officer compensation	111,245	110,000	105,000	105,000
Employee compensation	222,490	220,000	215,000	215,000

IRC RETIREMENT PLAN LIMIT	2018 (NOT ROUNDED)	2018	2017	2016
409(o)(1)(C) tax-credit ESOP limits for lengthening the distribution period				
Five-year maximum balance	\$1,105,760	\$1,105,000	\$1,080,000	\$1,070,000
One-year extension	221,152	220,000	215,000	210,000
430(c)(7)(D)(i)(II) excess compensation threshold		N/A [†]	1,115,000 [†]	1,106,000 [†]
432(e)(9)(H)(v) systemically important multiemployer plan (billions)	1.087 B	1.087 B	1.012 B	1.012 B
664(g)(7) qualified gratuitous transfer of employer securities to an ESOP	50,568	50,000	45,000	45,000
* The regulation calls for the increase in the limit to be rounded down to the nearest \$10,000, so the limit should have remained \$125,000 until the unrounded number reached \$135,000. However, IRS apparently rounded the limit itself. It's unclear whether the next increase will be to \$135,000 or \$140,000.				
† Although 2015 was the last possible year in the restriction period, IRS continued to publish inflation-adjusted excess compensation thresholds through 2017.				

Puerto Rico Qualified Retirement Plan Limits

On Dec. 15, 2017, the Puerto Rico (PR) Treasury secretary [announced](#) 2018 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. A 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 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 aren't 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 doesn't address Puerto Rican employees of the US government.

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PR CODE RETIREMENT PLAN LIMIT	2018	2017	2016
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	18,500 [†]	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	275,000	270,000	265,000
1081.01(a)(11)(A)(i) DB maximum annuity	220,000	215,000	210,000
1081.01(a)(11)(B)(i) DC maximum annual addition	55,000 [§]	54,000 ^{‡§}	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.

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

^{§§} The announced thresholds for 2017–2018 don'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.

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.)

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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
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

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION	
	AGE	YEAR	NOT ROUNDED	ROUNDED
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
1951	66	2017	77,880	78,000

The next table shows 2018 amounts for individuals below Social Security full retirement age [announced](#) by the IRS on Jan. 8, 2018. The 2018 revenue ruling superseded the previous announcement of covered compensation, following revision of the 2018 wage base from \$128,700 to \$128,400 in November 2017.

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2018	2017	2018	2017
1952	66	2018	\$80,532	\$80,496	\$81,000	\$81,000
1953	66	2019	83,124	83,052	84,000	84,000
1954	66	2020	85,656	85,560	87,000	87,000
1955	66 & 2 months	2022	90,540	90,372	90,000	90,000
1956	66 & 4 months	2023	92,928	92,724	93,000	93,000
1957	66 & 6 months	2024	95,220	94,980	96,000	96,000
1958	66 & 8 months	2025	97,428	97,152	96,000	96,000
1959	66 & 10 months	2026	99,564	99,264	99,000	99,000
1960	67	2027	101,652	101,304	102,000	102,000
1961	67	2028	103,680	103,296	105,000	102,000
1962	67	2029	105,612	105,204	105,000	105,000

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YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2018	2017	2018	2017
1963	67	2030	\$107,532	\$107,088	\$108,000	\$108,000
1964	67	2031	109,404	108,924	108,000	108,000
1965	67	2032	111,204	110,700	111,000	111,000
1966	67	2033	112,920	112,380	114,000	111,000
1967	67	2034	114,516	113,940	114,000	114,000
1968	67	2035	116,004	115,392	117,000	114,000
1969	67	2036	117,384	116,724	117,000	117,000
1970	67	2037	118,620	117,936	120,000	117,000
1971	67	2038	119,808	119,088	120,000	120,000
1972	67	2039	120,960	120,204	120,000	120,000
1973	67	2040	122,064	121,272	123,000	120,000
1974	67	2041	123,036	122,220	123,000	123,000
1975	67	2042	123,924	123,060	123,000	123,000
1976	67	2043	124,680	123,780	126,000	123,000
1977	67	2044	125,292	124,368	126,000	123,000
1978	67	2045	125,904	124,944	126,000	126,000
1979	67	2046	126,528	125,532	126,000	126,000
1980	67	2047	127,044	126,024	126,000	126,000
1981	67	2048	127,464	126,408	128,400	126,000
1982	67	2049	127,800	126,696	128,400	127,200
1983	67	2050	128,076	126,948	128,400	127,200
1984	67	2051	128,364	128,364	128,400	127,200
1985+	67	2052+	128,400		128,400	

PBGC Premiums, Guaranteed Benefits and Maximum Present Value

In October 2017, the PBGC announced 2018 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 Nov. 1, 2017.

The 2018 [premium rates](#) reflect changes made by the Bipartisan Budget Act of 2015:

- *Flat-rate premiums.* The 2018 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 \$34 in 2017 to \$38 in 2018 comprises a \$4 statutory increase and an adjustment for wage inflation (that was \$0 when rounded to the nearest dollar). The per-participant variable-rate premium cap was set by statute for 2016 and is indexed annually for wage inflation thereafter.

On Oct. 30, 2017, PBGC [announced](#) that the maximum guaranteed benefit for plans terminating in 2018 will rise to \$65,045 from \$64,432 in 2017. 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.

PBGC AMOUNT	2018	2017	2016
Flat-rate premium — single-employer plans	\$74*	\$69*	\$64*
Flat-rate premium — multiemployer plans	28	28	27
Variable-rate premium per \$1,000 of unfunded vested benefits	38	34	30
Per-participant variable-rate premium cap	523	517	500*
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	65,045	64,432	60,136
* Value is set by statute.			

The [2018 present value of the PBGC maximum guarantee](#) numbers are generally higher than the 2017 figures, except at the youngest ages — and substantially higher at the oldest ages. This is the combined effect of the increase in the maximum guaranteed benefit and the new 417(e) mortality table offset by slightly higher 417(e) lump sum segment rates. The August 2017 rates used to determine the 2018 present values (1.93%, 3.57% and 4.36%) are higher than the August 2016 rates used to determine 2017 values (1.39%, 3.27% and 4.18%). 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

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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 2018 table for annuity starting dates in 2018, regardless of the plan year.

The next table shows the present values for 2018 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	2018*	2017†	2016‡	AGE	2018*	2017†	2016‡
25	\$149,687	\$153,783	\$122,779	56	\$611,466	\$606,399	\$492,592
26	156,238	160,244	128,478	57	640,214	634,003	518,826
27	163,076	166,980	134,119	58	670,105	662,612	546,226
28	170,214	174,001	139,692	59	701,225	692,292	574,873
29	177,665	181,320	145,191	60	733,668	723,114	604,855
30	185,444	188,948	150,617	61	771,550	759,827	641,587
31	193,565	196,902	155,964	62	810,234	797,072	678,933
32	202,044	205,200	161,228	63	849,827	834,926	717,708
33	210,898	213,858	166,409	64	890,474	873,637	758,319
34	220,143	222,890	171,500	65	932,228	913,208	795,820
35	229,796	232,313	176,493	66	1,000,159	977,460	853,435
36	239,876	242,144	187,237	67	1,071,825	1,045,191	914,325
37	250,401	252,400	197,803	68	1,154,903	1,123,706	984,916
38	261,392	263,099	208,180	69	1,247,745	1,211,115	1,063,616
39	272,870	274,258	218,357	70	1,348,663	1,305,828	1,149,073
40	284,858	285,896	228,314	71	1,523,597	1,471,154	1,297,156
41	297,379	298,036	238,044	72	1,683,444	1,620,616	1,431,852
42	310,459	310,700	247,526	73	1,827,906	1,754,354	1,553,199
43	324,125	323,916	256,750	74	1,956,791	1,871,888	1,660,708
44	338,405	337,708	265,700	75	2,069,973	1,973,518	1,754,551
45	353,332	352,104	274,356	76	2,428,888	2,307,696	\$2,055,996

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PRESENT VALUE OF PBGC MAXIMUM GUARANTEE			PRESENT VALUE OF PBGC MAXIMUM GUARANTEE				
AGE	2018*	2017†	2016‡	AGE	2018*	2017†	2016‡
46	\$373,218	\$372,219	\$293,573	77	\$2,750,260	\$2,603,277	\$2,324,280
47	393,730	392,870	312,242	78	3,034,206	2,862,407	2,561,046
48	414,893	414,069	330,329	79	3,281,270	3,085,174	2,766,176
49	436,734	435,838	347,799	80	3,492,234	3,272,689	2,940,434
50	459,281	458,194	364,612	81	4,367,338	4,079,093	3,672,531
51	482,567	481,164	380,730	82	5,135,370	4,782,529	4,314,594
52	506,620	504,763	397,866	83	5,800,930	5,389,582	4,871,911
53	531,485	529,033	420,199	84	6,366,539	5,898,816	5,342,697
54	557,205	554,023	443,387	85	6,839,216	6,321,974	5,736,827
55	583,832	579,776	467,483				

* Present value determined using August 2017 lump sum segment rates of 1.93%, 3.57% and 4.36%.

† 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%.

Saver's Credit

[Notice 2017-64](#) provides adjusted gross income (AGI) levels at which a “saver’s credit” is available for employee contributions to a qualified retirement plan or IRA. All of the AGI levels increased due to the increase in the average chained CPI for the 12 months ending Aug. 31, 2017. (Although the indexing switched from the regular CPI to the chained CPI starting in 2018, IRS [confirmed](#) in February 2018 that the rounded numbers didn’t change.)

SAVER'S CREDIT AGI THRESHOLDS (IRC § 25B)	2018	2017	2016
50% saver's credit if AGI is no more than specified amount			
Married filing jointly	\$38,000	\$37,000	\$37,000
Head of household	28,500	27,750	27,750
Other filing status	19,000	18,500	18,500

SAVER'S CREDIT AGI THRESHOLDS (IRC § 25B)	2018	2017	2016
20% saver's credit if AGI exceeds threshold for 50% credit but is no more than specified amount			
Married filing jointly	\$41,000	\$40,000	\$40,000
Head of household	30,750	30,000	30,000
Other filing status	20,500	20,000	20,000
10% saver's credit if AGI exceeds threshold for 20% credit but is no more than specified amount			
Married filing jointly	63,000	62,000	61,500
Head of household	47,250	46,500	46,125
Other filing status	31,500	31,000	30,750

Traditional and Roth IRA Limits

Maximum 2018 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 in 2018 due to the increase in the average chained CPI for the 12 months ending Aug. 31, 2017. The catch-up contribution limit and AGI thresholds for married taxpayers filing separately aren't adjusted for cost-of-living changes. (Although the indexing switched from the regular CPI to the chained CPI starting in 2018, the rounded numbers didn't change. IRS [confirmed](#) this result in February 2018.) The next table summarizes the 2018 IRA limits [announced](#) by IRS, along with the limits for the previous two years.

TRADITIONAL AND ROTH IRA LIMITS	2018	2017	2016
Traditional IRA deduction limits (IRC §§ 219(b)(5) and 219(g)(3)(B))			
IRA maximum deductible amount	\$5,500	\$5,500	\$5,500
IRA catch-up contribution limit*	1,000	1,000	1,000
Modified AGI threshold for determining deductible IRA contributions for active participants in qualified plans			
Married filing jointly or qualifying widow(er)	101,000	99,000	98,000
Married filing separately*	0	0	0
Single or head of household	63,000	62,000	61,000
Spouse (but not taxpayer making IRA contribution) is active participant	189,000	186,000	184,000

TRADITIONAL AND ROTH IRA LIMITS	2018	2017	2016
Roth IRA contribution limits (IRC § 408A(c)(3)(C)(ii))			
AGI for determining maximum Roth IRA contribution			
Married filing jointly or qualifying widow(er)	\$189,000	\$186,000	\$184,000
Married filing separately*	0	0	0
Other filing status	120,000	118,000	117,000
* 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

In October, the IRS released [Rev. Proc. 2017-58](#), which provided 2018 limits for health FSAs, Archer MSAs, qualified transportation benefits, adoption assistance benefits and qualified LTC plans, reflecting the regular CPI. In March, [Rev. Proc. 2018-18](#) provided revised limits for Archer MSAs and adoption assistance reflecting the chained CPI; rounding rules mask the difference created by using the chained CPI versus the regular CPI for the remaining limits discussed in this section.

The 2018 health FSA, Archer MSA, transit and adoption limits reflect the increase in the average chained CPI for the 12 months ending Aug. 31, 2017, while qualified LTC premium and per diem limits for 2018 reflect the increase in the medical care component of the chained CPI for the same period. After applying the Code's rounding rules, all of the limits have increased from 2017 except the qualified LTC per diem limit, which remains \$360 for 2018.

COMMUTER, HEALTH FSA, ARCHER MSA, ADOPTION AND LTC LIMITS	2018	2017	2016
Qualified transportation fringe benefits (IRC § 132(f))			
Monthly parking, transit passes or commuter highway vehicle transportation	\$260	\$255	\$255
Health FSA limit (IRC § 125(i))			
Maximum salary reduction contribution	2,650	2,600	2,550

COMMUTER, HEALTH FSA, ARCHER MSA, ADOPTION AND LTC LIMITS	2018	2017	2016
Archer MSA limits (IRC § 220(c)(2))			
Self-only coverage			
Minimum annual deductible	\$2,300	\$2,250	\$2,250
Maximum annual deductible	3,450	3,350	3,350
Maximum out-of-pocket limit	4,550	4,500	4,450
Family coverage			
Minimum annual deductible	4,550	4,500	4,450
Maximum annual deductible	6,850	6,750	6,700
Maximum out-of-pocket limit	8,400	8,250	8,150
Qualified adoption assistance benefits (IRC § 137)			
Exclusion for child with special needs (regardless of expenses incurred)	13,810	13,570	13,460
Aggregate dollar limit for all tax years (child without special needs)	13,810	13,570	13,460
Phaseout begins at modified AGI of	207,140	203,540	201,920
Phaseout completed at modified AGI of	247,140	243,540	241,920
Qualified LTC plan limits (IRC § 213(d) and 7702B(d)(4))			
Premium limits at age			
40 or younger	420	410	390
41–50	780	770	730
51–60	1,560	1,530	1,460
61–70	4,160	4,090	3,900
Older than 70	5,200	5,110	4,870
Per diem limit	360	360	340

HSA and HDHP Limits

The switch to the chained CPI required recalculating 2018 limits on HSA contributions, minimum HDHP deductibles and maximum HDHP out-of-pocket costs. The final limits for 2018 were announced in [Rev. Proc. 2018-18](#), superseding the amounts originally announced last May ([Rev. Proc. 2017-37](#)).

As a result of the changes, the family contribution limit for HSAs dropped from \$6,900 to \$6,850. After stakeholder pushback about the associated administrative complexities and expense, however, IRS restored the limit to \$6,900. After rounding, the other amounts didn't change. The 2018 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 2016–2018.

HSA AND HDHP LIMITS (IRC § 223)	2018	2017	2016
Self-only coverage			
Maximum tax-deductible HSA contribution	\$3,450	\$3,400	\$3,350
HDHP minimum annual deductible	1,350	1,300	1,300
HDHP out-of-pocket maximum	6,650	6,550	6,550
Family coverage			
Maximum tax-deductible HSA contribution	6,900	6,750	6,750
HDHP minimum annual deductible	2,700	2,600	2,600
HDHP out-of-pocket maximum	13,300	13,100	13,100
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 2016–2018 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 2018 limit will apply on the first day of the plan year starting in 2018.

ACA NONGRANDFATHERED GROUP HEALTH PLAN OUT-OF-POCKET LIMITS	2018	2017	2016
Self-only coverage	\$7,350	\$7,150	\$6,850
Family coverage			
Total out-of-pocket limit	14,700	14,300	13,700
Embedded individual out-of-pocket limit (if applicable)	7,350	7,150	6,850

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 2016, 2017 and 2018, though the assessments are incurred on a monthly basis.

ACA SHARED-RESPONSIBILITY ASSESSMENTS	2018	2017	2016
Employer play-or-pay assessments (IRC § 4980H)			
Not offering coverage (4980H(a))	\$2,320	\$2,260	\$2,160
Offering coverage lacking minimum value or affordability (4980H(b))	3,480	3,390	3,240

ACA SHARED-RESPONSIBILITY ASSESSMENTS	2018	2017	2016
Individual penalty for not maintaining minimum essential coverage (IRC § 5000A(c))[‡]			
Applicable flat dollar amount	\$695	\$695	\$695
Applicable percentage of household income	2.5%	2.5%	2.5%
[‡] 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 has an additional adjustment for premium growth in excess of CPI growth.

The 2018 affordability limit is 9.56%, down from 9.69% in 2017 ([Rev. Proc. 2017-36](#)). The next table shows the 2016–2018 limits, which determine each employee's premium tax credit eligibility. The limit is the same for employees' spouses and dependents, even though the affordability is tied to employee-only rates.

ACA PREMIUM TAX CREDIT ELIGIBILITY	2018	2017	2016
Maximum percentage of household income for least expensive self-only coverage with minimum value offered by employer	9.56%	9.69%	9.66%

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. 17, 2017, CMS [released](#) the 2018 beneficiary premiums, deductibles and other cost-sharing amounts for Medicare Parts A and B. [Part A](#) monthly premiums will increase approximately 2.2%, while annual deductible and coinsurance amounts will increase approximately 1.8%. The 2018 [Part B](#) annual deductible, standard monthly premium and income-adjusted monthly premiums paid by many individuals will rise. The 2018 [Part D](#) income-based premiums remain flat, while Part D cost-sharing rises slightly.

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 2016–2018. (For more detail on how these amounts are calculated, see the CMS notices on the [Part A premium](#) and [Part A deductible and coinsurance](#).)

PART A — HOSPITAL INSURANCE	2018	2017	2016
Hospital inpatient deductible	\$1,340.00	\$1,316.00	\$1,288.00
Hospital daily coinsurance			
Days 61–90	335.00	329.00	322.00
Lifetime reserve days	670.00	658.00	644.00
Skilled nursing facility daily coinsurance	167.50	164.50	161.00
Monthly premium			
Seniors and certain people with disabilities under age 65 with fewer than 30 quarters of coverage	422.00	413.00	411.00
Seniors with 30–39 quarters of coverage and certain people with disabilities who have at least 30 quarters of coverage	232.00	227.00	226.00

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. The standard monthly Part B premium will remain \$134 in 2018. But premiums paid may increase for the roughly 70% of Medicare beneficiaries subject to the statutory “hold harmless” provision that prohibits year-to-year reductions in Social Security benefits caused solely by higher Part B premiums. This group is primarily made up of existing recipients of Social Security and Medicare benefits who aren't higher-income beneficiaries and had Part B premiums deducted from their monthly Social Security checks in 2017. Because Social Security benefits will increase by 2.0% in 2018 while the standard Part B premium will remain the same, beneficiaries who have Part B premiums deducted from their Social Security checks and who didn't pay the full standard premium in 2017 will pay higher Part B premiums in 2018, as long as the net Social Security benefit doesn't decline. CMS estimates that 42% of all Part B enrollees who are subject to the hold harmless provision in 2018 will have to pay the full Part B premium in 2018.

Medicare beneficiaries who haven't had Part B premiums deducted from their Social Security checks in 2017 or have higher incomes will pay the standard or a higher monthly Part B premium in 2018. Some high-income enrollees will see a jump in their premiums because the income thresholds for certain income-based surcharges are changing. The table below lists the Part B deductibles and monthly premiums for 2016–2018, including the income-adjusted premiums for higher-income beneficiaries. For details on how these amounts are calculated, see the CMS notice on [Part B premiums and deductibles](#).

PART B — MEDICAL INSURANCE		2018	2017	2016
Annual deductible		\$183.00	\$183.00	\$166.00
Monthly premium for modified AGI of				
	<u>Single</u>			
	<u>Married filing jointly</u>			
	\$0 – \$85,000*	134.00 [†]	134.00 [†]	121.80 [†]
	85,001 – 107,000	187.50	187.50	170.50
	107,001 – 133,500	267.90	267.90	243.60
	133,501 – 160,000	348.30	267.90	243.60
	160,001 – 214,000	428.60	348.30	316.70
	214,001 or more	428.60	428.60	389.80
	<u>Married filing separately</u>			
	\$0 – \$85,000	134.00 [†]	134.00 [†]	121.80 [†]
	85,001 – 129,000	428.60	348.30	316.70
	129,001 or more	428.60	428.60	389.80

* Income bracket for most beneficiaries.
[†] 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.

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. While most types of beneficiary cost-sharing will increase slightly in 2018, the standard monthly premium will dip to \$35.02 (from \$35.63 in 2017). But some

high-income enrollees will see a jump in their premiums because the income thresholds for certain income-based surcharges are changing.

CMS [released](#) the 2018 Part D standard premium and income-based premium adjustments for high-income enrollees in July; the other cost-sharing amounts were [announced](#) in April. The next table summarizes 2016–2018 Part D [benefit parameters](#), [RDS benefits](#) and the monthly Part D premium adjustments for different annual income tiers.

PART D BENEFITS AND RDS AMOUNTS	2018	2017	2016
Standard Part D benefit			
Deductible	\$405.00	\$400.00	\$360.00
Initial coverage limit	3,750.00	3,700.00	3,310.00
Out-of-pocket threshold	5,000.00	4,950.00	4,850.00
Total covered Part D drug out-of-pocket threshold: out-of-pocket threshold + 75% (initial coverage limit – deductible)	7,508.75	7,425.00	7,062.50
Minimum cost-sharing for catastrophic coverage			
Generic/preferred	3.35	3.30	2.95
Other	8.35	8.25	7.40
Retiree drug subsidy (RDS)			
Cost threshold (Part D deductible)	405.00	400.00	360.00
Cost limit	8,350.00	8,250.00	7,400.00
Maximum subsidy per retiree: 28% × (cost limit – cost threshold)	2,224.60	2,198.00	1,971.20

PART D BENEFITS AND RDS AMOUNTS		2018	2017	2016
Monthly Part D premium				
Base beneficiary premiums (national average Part D premium)		\$35.02	\$35.63	\$34.10
Monthly premium for modified AGI of				
<u>Single</u>		<u>Married filing jointly</u>		
\$0 – \$85,000*	\$0 – \$170,000*	0.00	0.00	0.00
85,001 – 107,000	170,001 – 214,000	13.00	13.30	12.70
107,001 – 133,500	214,001 – 267,000	33.60	34.20	32.80
133,501 – 160,000	267,001 – 320,000	54.20	34.20	32.80
160,001 – 214,000	320,001 – 428,000	74.80	55.20	52.80
214,001 or more	428,001 or more	74.80	76.20	72.90
		<u>Married filing separately</u>		
		\$0 – \$85,000	0.00	0.00
		85,001 – 129,000	74.80	55.20
		129,001 or more	74.80	76.20
* Income bracket for most beneficiaries.				

SOCIAL SECURITY AND SSI AMOUNTS

On Oct. 13, 2017, the SSA [announced](#) that 2018 benefits will receive a 2.0% cost-of-living increase, reflecting the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2016 to 2017. Other 2018 Social Security amounts are tied to the 1.1% increase in [average annual wages](#) from 2015 to 2016. By law, some values — including the OASDI taxable wage base, amounts exempt from the retirement earnings test, and SSI limits — can't 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 2016–2018 from SSA's 2017 [fact sheet](#) and [automatic determinations](#) webpage.

SOCIAL SECURITY AND SSI VALUES	2018	2017	2016
Cost-of-living increase	2.0%	0.3%	0.0%
Average annual wage (second preceding year)	\$48,642.15	\$48,098.63	\$46,481.52
OASDI contribution and benefit base (wage base)	128,400	127,200	118,500*
“Old law” contribution and benefit base	95,400	94,500	88,200*

SOCIAL SECURITY AND SSI VALUES	2018	2017	2016
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	\$17,040	\$16,920	\$15,720*
Year individual attains full retirement age (period before attaining full retirement age)	45,360	44,880	41,880*
Wages needed for a quarter of coverage	1,320	1,300	1,260
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,180	1,170	1,130
Substantial gainful activity — blind	1,970	1,950	1,820*
Trial work period	850	840	810
Coverage thresholds for			
Domestic employees	2,100	2,000	2,000
Election workers	1,800	1,800	1,700
Bend-points — PIA formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to	895	885	856
32% of AIME over first bend-point up to	5,397	5,336	5,157
15% of AIME over second bend-point			
Bend-points — maximum family benefit formula applied to worker's PIA			
150% of PIA up to	1,144	1,131	1,093
272% of PIA over first bend-point up to	1,651	1,633	1,578
134% of PIA over second bend-point up to	2,154	2,130	2,058
175% of PIA over third bend-point			
SSI federal payment standard (monthly amounts)			
Individual	750	735	733*
Couple	1,125	1,103	1,100*

SOCIAL SECURITY AND SSI VALUES	2018	2017	2016
SSI student exclusion limits			
Monthly limit	\$1,820	\$1,790	\$1,780*
Annual limit	7,350	7,200	7,180*
* The lack of any 2016 COLA kept this amount — which would otherwise have increased — from changing.			

RELATED RESOURCES

- [Rev. Proc. 2018-27](#) (IRS, April 26, 2018)
- [Rev. Proc. 2018-18](#) (IRS, March 5, 2018)
- [IRS Announces 2018 Pension Plan Limitations Not Affected by Tax Cuts and Jobs Act of 2017](#) (IRS, Feb. 6, 2018)
- [Rev. Rul. 2018-04](#) (IRS, Jan. 8, 2018)
- [CC PC 17-02](#) (Puerto Rico Treasury, Dec. 15, 2017)
- [2018 Medicare Inpatient Hospital Deductible and Hospital and Extended Care Services Coinsurance Amounts](#) (Federal Register, Nov. 21, 2017)
- [2018 Medicare Part A Premiums for Uninsured Aged and Certain Disabled Individuals](#) (Federal Register, Nov. 21, 2017)
- [2018 Medicare Part B Monthly Actuarial Rates, Premium Rates and Annual Deductible](#) (Federal Register, Nov. 21, 2017)
- [2018 Medicare Parts A & B Premiums and Deductibles](#) (CMS, Nov. 17, 2017)
- [Annual RDS Cost Threshold and Cost Limit by Plan Year](#) (CMS, updated annually)
- [PBGC Guarantee Limit for Single-Employer Plans Increases for 2018](#) (PBGC, Oct. 30, 2017)
- [Current and Historical Premium Rates](#) (PBGC, updated annually)
- [Present Value of PBGC Maximum Guarantee for Past 12 Years](#) (PBGC, updated annually)
- [Notice 2017-64](#) (IRS, Oct. 25, 2017)

- [Rev. Proc. 2017-58](#), (IRS, Oct. 19, 2017)
- [2018 Social Security Changes](#) (SSA, Oct. 13, 2017)
- [Covered Employment for Social Security Credits](#) (SSA)
- [National Average Wage Index](#) (SSA)
- [Social Security Amounts Determined by Automatic Adjustment](#) (SSA)
- [Act 106-2017](#) (Puerto Rico Office of Legislative Services, Aug. 23, 2017)
- [Annual Release of Part D National Average Bid Amount and Other Part C & D Bid Information](#) (CMS, July 31, 2017)
- [Rev. Proc. 2017-37](#) (IRS, May 4, 2017)
- [Rev. Proc. 2017-36](#) (IRS, May 4, 2017)
- [2018 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter](#) (CMS, April 3, 2017)
- [Q&As on ACA Employer Shared-Responsibility Provisions](#) (IRS)
- [HHS Notice of Benefit and Payment Parameters for 2018](#) (Federal Register, Dec. 22, 2016)
- [Notice 2015-87](#) (IRS, Dec. 16, 2015)

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