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**MEMORANDUM**

TO: ALL PLAN SPONSORS  
FROM: WITMAN STADTMAUER, P.A.  
RE: VOLUNTARY CORRECTION PROGRAM AND 2012 COST-OF-LIVING ADJUSTMENTS

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**VOLUNTARY CORRECTION PROGRAM**

Over the last few years the Internal Revenue Service ("IRS") has significantly increased its enforcement actions with respect to qualified plans. To encourage employers to fix their qualified plan form or operational defects, the IRS sponsors a comprehensive system of correction programs for qualified plans known as the Employee Plans Compliance Resolution System ("EPCRS"). As part of the EPCRS, the IRS established the Voluntary Correction Program ("VCP"). This program allows a plan sponsor to voluntarily take corrective action regarding plan failures before being notified by the IRS of a plan audit. Under VCP, an application would be filed with the IRS, a limited sanction would be paid (based on the number of Plan participants) and the IRS would issue a favorable closing letter with respect to the measures taken to correct the plan failure(s). This Firm has extensive knowledge and experience in assisting employers in filing VCP applications. If you know or believe that your plan has suffered a plan document or operational failure and would like further information to determine if filing a VCP application would be advisable for your plan, please do not hesitate to contact Gary D. Stadtmauer, Esq. ([gstadtmauer@wsmesq.com](mailto:gstadtmauer@wsmesq.com)), Barbara S. Murray, Esq. ([bmurray@wsmesq.com](mailto:bmurray@wsmesq.com)), Leonard J. Witman, Esq. ([lwitman@wsmesq.com](mailto:lwitman@wsmesq.com)), Sandy Vogel ([svogel@wsmesq.com](mailto:svogel@wsmesq.com)) or Arlene Greenwald ([agreenwald@wsmesq.com](mailto:agreenwald@wsmesq.com)) of this office.

**2012 COST-OF-LIVING ADJUSTMENTS**

The Internal Revenue Service in IR- 2011-103 has announced the 2012 cost-of-living adjustments applicable to certain dollar limitations as they apply to benefits and other provisions affecting qualified retirement plans and Individual Retirement Accounts ("IRAs").

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Maximum Pre-tax Contribution by Employees to 401(k) &amp; 403(b)Plans</b>	<b>\$ 17,000</b>	\$ 16,500	\$ 16,500
Maximum Pre-tax Catch Up Contribution by Employees Age 50 or Over	\$ 5,500	\$ 5,500	\$ 5,500
<b>Defined Benefit Maximum (415(b))</b>	<b>\$200,000</b>	\$195,000	\$195,000
<b>Defined Contribution Maximum (415(c))</b>	<b>\$ 50,000</b>	\$ 49,000	\$ 49,000
Highly Compensated Employees - Compensation Earned Exceeding (414(q)(1))	\$115,000	\$110,000	\$110,000
<b>Maximum Includible Compensation (401(a)(17))</b>	<b>\$250,000</b>	\$245,000	\$245,000
FICA Taxable Wage Base (6.20%)	\$110,100	\$106,800	\$106,800
Medicare Taxable Wage Base (1.45%)	Unlimited	Unlimited	Unlimited
IRAs for Individuals age 49 and below	\$ 5,000	\$ 5,000	\$ 5,000
IRAs for Individuals age 50 and above	\$ 6,000	\$ 6,000	\$ 6,000