



PENSION ANALYST COMPLIANCE BULLETIN



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Puerto Rico cost-of-living adjustments for 2018

On December 15, 2017, the Secretary of the Puerto Rico Treasury Department (“Hacienda”) announced the 2018 cost-of-living adjustments to certain Puerto Rico plan limits in Circular Letter of Tax Policy 17-02. Consistent with the plan limits and thresholds under the U.S. Internal Revenue Code, certain 2018 Puerto Rico limits and thresholds have increased from 2017 and others are unchanged.

	U.S. 2018 Limit	Puerto Rico 2018 Limit
Defined Contribution Limitation (Annual Additions)	\$ 55,000	\$ 55,000
Defined Benefit Limitation	\$ 220,000	\$ 220,000
Annual Compensation Limit	\$ 275,000	\$ 275,000
Annual Deferral Limit for 401(k) Plans	\$ 18,500	Dual Qualified Plans: \$ 18,500 Puerto Rico-only Plans: \$ 15,000
Annual Catch-Up Deferral Limit	\$ 6,000	\$ 1,500
Threshold Amount for Determining Key Employees: Officers Earning More Than	\$ 175,000	Not applicable
Threshold Amount for Determining HCEs in Lookback Year: Employees Earning More Than	\$ 120,000*	\$ 150,000*
Threshold Amount for Determining HCEs in Lookback Year: Employees in Top 20% Earning More Than	\$ 120,000*	\$ 150,000*

In addition, Puerto Rico participants in both dual-qualified plans and Puerto Rico-only qualified plans are subject to a limit on after-tax contributions. For 2018, this limit remains 10% of the employee’s aggregate compensation during the time the employee is a plan participant.

* Circular Letter of Tax Policy 17-02 includes the HCE annual compensation threshold amount of \$120,000. However, [Puerto Rico Act No. 9-2017](#), which was signed into law on February 8, 2017, includes a revised definition of HCE and a higher annual compensation threshold that varies from Circular Letter of Tax Policy No. 17-02. The HCE compensation was increased from \$120,000 to \$150,000. We will provide an update on this item once further guidance or clarification is issued by Hacienda.

Compliance Bulletin by Prudential Retirement

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