2027 IRS retirement plan limits: COLA updates, Social Security changes, and PBGC premiums

Milliman Employee Benefits Research Group

The Internal Revenue Service (IRS) and the Social Security Administration have announced the 2027 cost-of-living adjustments (COLAs), contribution limits, and other key thresholds affecting defined benefit (DB) and defined contribution (DC) retirement plans, as well as Social Security benefits. The Pension Benefit Guaranty Corporation (PBGC) has also released its 2027 premium rates for single-employer and multiemployer defined benefit plans. This bulletin highlights select 2027 figures and compares them with the corresponding 2026 and 2025 amounts.

FIGURE 1: IRS, PBGC, AND SOCIAL SECURITY FIGURES FOR 2027, 2026, AND 2025

RETIREMENT PLAN COMPENSATION AND BENEFITS LIMITS	2027	2026	2025
Maximum annual annuity for DB plans[1]	$300,000	$290,000	$280,000
Maximum annual additions for DC plans[2]	$75,000	$72,000	$70,000
Maximum §401(k), §403(b), and §457(b) deferral[3]	$25,500	$24,500	$23,500
"Catch-up" contribution limit for DC plans	$8,500	$8,000	$7,500
Catch-up limit for those aged 60, 61, 62, or 63	$11,750	$11,250	$11,250
Compensation limit	$375,000	$360,000	$350,000
Highly compensated employee (HCE)	$170,000	$160,000	$160,000
Key employee/officer compensation	$245,000	$235,000	$230,000
Portion of emergency savings account in DC plans attributable to participant contributions	$2,700	$2,600	$2,500
Prior-year wage threshold triggering Roth catch-up contributions to DC plans4	$155,000	$150,000	$145,000
Domestic abuse withdrawal limit[5]	$10,900	$10,500	$10,300
PBGC PREMIUMS FOR APPLICABLE DB PLANS	2027	2026	2025
Single-employer plan flat-rate premium per participant	$116	$111	$106
Single-employer plan variable-rate premium (VRP) per $1,000 of unfunded vested benefits (UVBs)[6]	$52	$52	$52
Maximum single-employer plan VRP per participant	$783	$751	$717
Multiemployer plan flat-rate premium	$42	$40	$39
SOCIAL SECURITY THRESHOLDS	2027	2026	2025
Social Security taxable wage base (SSTWB)	$192,300	$184,500	$176,100
Maximum OASDI payroll tax (6.2% of SSTWB) paid by both the employee and the employer[7]	$11,922.60	$11,439.00	$10,918.20
Maximum monthly Social Security benefit at SSNRA[8]	$4,188	$4,152	$4,018
National average wage base (NAWB) used to adjust limits	$72,800.33	$69,846.57	$66,621.80

For additional information about the 2027 COLAs for retirement plans and Social Security benefits, please contact your Milliman consultant.

Sources: IRS Notice 2026-66, 2027 Social Security Fact Sheet, Social Security National Average Wage Index web page, PBGC premiums web page

REFERENCES

1 The maximum annual DB plan annuity is specified under Internal Revenue Code (IRC) §415(b)(1)(A) and may need an actuarial adjustment if the retirement date is before age 62 or after age 65, or if the participant's elected form of payment is not a single life annuity.

2 The maximum annual additions to a DC plan are specified under IRC §415(c)(1)(A) and are the sum of any employee pre-tax or Roth elective deferral contributions (excluding catch-up contributions), employee non-Roth after-tax contributions, employer contributions (matching, profit-sharing, or other nonelective), and any reallocated forfeitures.

3 The employee's annual DC plan limit on elective deferral contributions is specified under IRC §402(g)(1)(B) applicable to 401(k) and 403(b) plans, with an identical but separate limit under IRC §457(e)(15)(A) as applicable to 457(b) plans.

4 The Roth catch-up wage threshold as specified under IRC §414(v)(7)(A) is used to determine whether an individual's catch-up contributions must be designated as Roth contributions.

5 The maximum domestic abuse victim distribution from a DC plan is the lesser of the indexed dollar limit under IRC §72(t)(2)(K)(ii) or 50% of the employee's vested account balance, aggregating all such distributions from every DC plan of the employer and members of its controlled group.

6 UVB in the PBGC section of the table refers to unfunded vested benefits for single-employer and multiple employer DB plans. It is the deficit, if any, between the PBGC variable rate premium (VRP) value of accrued benefits and the value of the plan's assets. There are no VRPs for multiemployer DB plans.

7 OASDI is the Social Security Old-Age, Survivors, and Disability Insurance program. The OASDI payroll tax rate is 6.20% on wages up to the taxable wage base. Both the employer and the employee pay OASDI payroll tax.

8 An individual will attain their Social Security full (normal) retirement age (SSNRA) of 67 in 2027 if they were born after January 1, 1960, and will be eligible to commence unreduced Social Security benefits in 2027. People born on or before January 1, 1960, have a lower SSNRA.

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