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2008 COST-OF-LIVING INCREASES

IRS Announcement. The IRS has announced the 2008 cost-of-living adjustments for various retirement plan dollar limits. The 2008 limits are as follows:

<u>Limit</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Section 402(g) limit for 401(k) pre-tax contributions	\$15,000	\$15,500	\$15,500
Section 414(v) catch-up contribution limit	\$5,000	\$5,000	\$5,000
Section 401(a)(17) limit on annual compensation recognizable for retirement plan purposes	\$220,000	\$225,000	\$230,000
Annual pre-tax contribution rate for participants at the compensation limit to reach the Section 402(g) contribution limit	6.82%	6.89%	6.74%
Section 415 limit on annual additions to a defined contribution plan	\$44,000	\$45,000	\$46,000
Section 415 limit on annual benefits under a defined benefit plan	\$175,000	\$180,000	\$185,000
Compensation threshold for defining "Highly Compensated Employees"	\$95,000 (in 2005)	\$100,000 (in 2006)	\$100,000 ¹ (in 2007)
Compensation threshold for officers to be "Key Employees" ²	\$140,000	\$145,000	\$150,000
Social Security (OASDI) Wage Base	\$94,200	\$97,500	\$102,000

¹ An employee with compensation exceeding \$105,000 in 2008 will be an HCE in 2009.

² 5% owners and 1% owners with compensation exceeding \$150,000 are also key employees.

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Rollovers by Nonspouse Beneficiaries Mandatory in 2008

The Pension Protection Act of 2006 (the "PPA") permits nonspouse beneficiaries to roll over retirement plan distributions beginning in 2007.

The IRS originally indicated that this was an optional provision, and plan sponsors were not required to offer nonspousal rollovers. However, a recent update to the IRS's website indicates that the IRS is changing its view on this and will require all plans to offer rollovers to nonspousal beneficiaries beginning in 2008.

This may require plan sponsors to update their distribution forms and their administrative processes by the end of this year to accommodate these new rollovers.