



FOLEY & LARDNER LLP

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Legal News Alert is part of our ongoing commitment to providing legal insight to our employee benefits clients and colleagues. If you have any questions about or would like to discuss these topics further, please contact your Foley attorney or any of the following individuals:

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2008 Cost-of-Living Adjustments Announced

The following Alert is being sent to you as a subscriber to Foley's Legal News: Employee Benefits.

The Internal Revenue Service (IRS) has announced the cost-of-living adjustments applicable to dollar limitations for pension plans and other amounts for 2008. Several of the limits have changed.

Included in this special edition is a table showing the 2008 and 2007 amounts so that users can easily determine those values that have changed.

Changes affecting 401(k) elective deferrals include: annual compensation limit increases from \$225,000 to \$230,000; maximum annual addition to defined contribution plans, generally, increases from \$45,000 to \$46,000.

As in previous years, the IRS advises that administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plan.

2008 LIMITATIONS FOR EMPLOYEE BENEFIT PLANS

	2007	2008
§401(k) Deferrals/403(b) Deferrals (§402(g)(1))	\$15,500	\$15,500
Catch-Up Contributions for Individuals Age 50 or Older (§414(v)(2)(b)(i))	\$5,000	\$5,000
Compensation Limit (§401(a)(17))	\$225,000	\$230,000
Defined Benefit Limit (§415(b)(1)(A))	\$180,000	\$185,000
Defined Contribution Limit (§415(c)(1)(A))	\$45,000	\$46,000
Highly Compensated Employees (HCEs) Nondiscrimination Testing Threshold (414(q)(1)(B)) Pay Exceeding *	\$100,000 *	\$105,000 *
Key Employee Officer Compensation Threshold (§416(i)(1)(A); §409A(a)(2)(B))	\$145,000	\$150,000
Social Security Limits:		
Old Age, Survivors and Disability Insurance (OASDI) Tax Rate	6.2 percent	6.2 percent
OASDI Taxable Wage Base	\$97,500	\$102,000
Medicare Tax Rate	1.45 percent	1.45 percent
Medicare Taxable Wage Base	All Wages	All Wages
Self-employed Combined Rate	15.3 percent	15.3 percent
Other Indexed Limits:		
§457 Deferrals (§457(e)(15))	\$15,500	\$15,500
Simplified Employee Pension Plan (SEP) Maximum Pay (§408(k)(3)(C))	\$225,000	\$230,000
SEP Eligibility Pay Threshold (§408(k)(2)(C))	\$500	\$500
SIMPLE Salary Reduction Maximum (§408(p)(2)(E))	\$10,500	\$10,500
Exclusion for Transportation in a Commuter Highway Vehicle and any Transit Pass Per Month (§132(f)(2)(A))	\$110	\$115
Exclusion for Qualified Parking Per Month (§132(f)(2)(B))	\$215	\$220
Employee Stock Ownership Plan (ESOP) Payouts in Excess of Five Years (§409(o)(1)(C))		
• One Year for Each:	\$180,000	\$185,000
• In Excess Of:	\$915,000	\$935,000

* Current year classification is based upon prior year compensation and limit. For 2008, nondiscrimination testing generally will rely on the 2007 limitation of \$100,000 for determining HCEs, and the new limitation of \$105,000 will apply for 2009 nondiscrimination testing. Employers may, but are not required to, apply the top-paid 20 percent test in conjunction with this compensation limit.

ABOUT FOLEY

The Employee Benefits attorneys of Foley & Lardner LLP counsel employers on employee benefits and executive compensation matters to reduce exposure to employee complaints, governmental agency actions, and union-related problems. We counsel on health, dental, disability, life insurance, severance, cafeteria, and flexible benefits plans. Our counsel also extends to Medicare and Social Security benefits, COBRA compliance, and post-retirement benefits issues. We also advise clients in resolving benefits issues arising in mergers and acquisitions. We work closely with Foley trial lawyers who represent corporations and their benefit plans in litigation involving employment benefits and other obligations under ERISA.

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