



Electronic Dispatch

Employee Benefits Law Information Memo

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IRS ANNOUNCES 2007 PENSION AND RELATED LIMITATIONS

On October 18, 2006, the Internal Revenue Service announced cost-of-living adjustments applicable to dollar limitations for pension plans and other items beginning January 1, 2007.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. These limitations are adjusted annually to reflect cost-of-living increases. Many other limitations applicable to deferred compensation plans are adjusted at the same time and in the same manner as the Section 415 limit. The amounts to be applied for 2007 are listed below. Also included are the 2006 amounts for comparison purposes.

LIMITATION	2007 AMOUNT	2006 AMOUNT
Maximum Annual Compensation taken into account for determining benefits or contributions to a qualified plan	\$225,000	\$220,000
Basic Elective Deferral Limitation for 401(k), 403(b) and 457(b) Plans	\$15,500	\$15,000
Catch-up Contribution Limit for Persons Age 50 and older in 401(k), 403(b) or SARSEP Plans	\$5,000	\$5,000
Limitation on Annual Additions to a Defined Contribution Plan ¹	\$45,000	\$44,000
Limitation on Annual Benefits from a Defined Benefit Plan ²	\$180,000	\$175,000
Highly Compensated Employee Compensation Threshold ³	\$100,000	\$100,000
SEP Compensation Threshold	\$500	\$450
Social Security Taxable Wage Base for Social Security Tax (6.2%)	\$97,500	\$94,200
For Medicare (1.45%)	No Limit	No Limit
Health Savings Accounts:		
• Individual Contribution Limit (estimated for 2007)	\$2,850	\$2,700
• Family Contribution Limit (estimated for 2007)	\$5,650	\$5,450
• Catch-Up Contributions	\$800	\$700

If you have any questions about this memorandum, please contact Amelia M. Klein (518-533-3217; aklein@bsk.com), Ted Lewkowicz, Chair of the Employee Benefits Practice Group (315-218-8131; tlewkowicz@bsk.com), or Louis P. DiLorenzo, Managing Partner of the firm's New York City and Garden City offices (646-253-2315; dilorenzo@bsk.com).

¹ In no event may annual additions exceed 100% of a participant's compensation.
² In no event may a participant's annual benefit exceed 100% of the participant's average compensation for the participant's high three years.
³ Generally, an employee is considered "highly compensated" if the employee:
(a) was a five-percent owner of the employer at any time during the current or preceding year; or
(b) received compensation from the employer in the preceding year of more than the applicable dollar limit for that year.



BS&K Employee Benefits Legal Services

The 14 member Employee Benefits Practice Group counsels a wide variety of clients on all aspects of this ever-expanding field of law - not only to satisfy the often complex legal requirements, but also to develop and implement benefits, strategies, and plans that serve each client's particular objectives.

Retirement Plans

Retirement plans must comply with numerous statutory, regulatory and administrative requirements in order to provide retirement benefits in a manner that is advantageous both to the employer and the employees. There are numerous types of retirement plans that a client may maintain to provide retirement benefits to its employees on a "tax-qualified" basis. Such plans include:

- defined benefit plans
- cash balance plans
- money purchase pension plans
- profit sharing plans
- 401(k) plans
- employee stock ownership plans ("ESOP")
- stock bonus plans
- tax-sheltered annuity plans ("403(b) plans")
- SIMPLE plans

The Group has extensive experience working with clients in the establishment and administration of all types of retirement plans. Depending upon the client's needs, our services could encompass: initial planning and consultation regarding the objectives of the plan; plan design and drafting; employee communications; guiding the plan through the Internal Revenue Service ("IRS") qualification process; advice on administration and fiduciary obligations; assistance in retaining the services of investment managers, third-party administrators and other service providers; representation during IRS, Department of Labor, and Pension Benefit Guaranty Corporation audits and litigation; and modification, conversion, merger and termination of the plan. We also assist clients in the identification of administrative errors that could result in the loss of a plan's tax-qualified status, and the correction of such errors through the various voluntary compliance programs maintained by the IRS.

Additionally, we have had significant experience in legal matters associated with participation in multi-employer pension plans and, in particular, withdrawal liability issues and disputes.

"Non-Qualified" Deferred Compensation Arrangements

Due to the restrictions imposed by ERISA and the Internal Revenue Code, it is often difficult to structure tax-qualified deferred compensation arrangements that are sufficient to attract, retain and reward executives and other key employees. To address these problems, we assist clients in the design, implementation and administration of non-qualified deferred compensation arrangements that meet their specific needs and objectives.

Welfare Benefit Plans

In recent years, welfare benefit plans have become the subject of substantially increased regulation. Our attorneys assist clients in the design, implementation and administration of numerous welfare benefit arrangements, including:

- group health plans
- group term life insurance plans
- cafeteria plans
- medical savings account plans
- dependent care assistance plans
- disability plans
- voluntary employee benefit associations
- tuition reduction plans
- educational assistance plans
- adoption assistance plans
- qualified transportation benefits plans
- employee assistance plans
- severance pay plans
- early retirement incentive programs
- golden parachute arrangements

We counsel clients regarding the health care continuation coverage requirements of "COBRA," the requirements imposed on group health plans by the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the administration of benefit claims review and appeals procedures, and the implementation of early retirement programs designed to comply with age discrimination laws.

Mergers and Acquisitions

Our attorneys have substantial experience in counseling clients regarding the employee benefits issues that often arise in the context of corporate transactions. Our services often include the evaluation of the liabilities and responsibilities of the buyer and seller in connection with employee benefits arrangements, the performance of "due diligence" reviews, and drafting or reviewing employee benefit-related provisions of the documents accomplishing the transaction.

For more information, please contact Ted Lewkowicz, Employee Benefits Practice Group Chair (315-218-8131; tlewkowicz@bsk.com).