

EMPLOYEE BENEFITS ALERT

JANUARY 2006

ANNUAL LIMITS FOR BENEFIT PLANS FOR 2006

Each year, the U.S. government adjusts the limits for retirement plans, Social Security, Medicare, and other benefit programs to reflect price and wage inflation, and changes in the law. As a result, employers must annually adapt their benefit plans to accommodate the new limits. The limits for 2006 as well as last year's limits are set forth below.

APPLICABLE LIMIT	2006	2005
Annual Compensation:¹		
Basic limit	\$220,000	\$210,000
Certain governmental plans	\$325,000	\$315,000
Limits on Benefits and Contributions:		
Defined benefit plan dollar limit ²	\$175,000	\$170,000
Defined contribution annual addition limit ³	\$ 44,000	\$ 42,000
401(k) and 403(b) elective deferral limit	\$ 15,000	\$ 14,000
457(b) deferral limit	\$ 15,000	\$ 14,000
Age 50 Catch-up Contributions:		
401(k), 403(b), or governmental 457(b) plans	\$ 5,000	\$ 4,000
"Highly Compensated" Definition⁴	\$100,000	\$ 95,000
"Officer" for "Key Employee" Definition	\$140,000	\$135,000
Social Security Taxable Wage Base	\$ 94,200	\$ 90,000
Medicare Taxable Wage Base	Unlimited	Unlimited
FICA Tax For Employers and Employees	7.65%	7.65%
OASDI Tax Rate	6.20%	6.20%
Medicare Tax Rate	1.45%	1.45%

¹ Limit applies to plan year (or 12 consecutive-month period) beginning in indicated calendar year.

² Limit applies to limitation year ending in indicated calendar year.

³ Limit applies to limitation year beginning in indicated calendar year.

⁴ Limit applies to compensation during the plan year beginning in indicated calendar year to determine highly compensated for following plan year.



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