

**2007 Qualified Plan Limits**

Most of the qualified plan limits are indexed to inflation, subject to certain rounding rules. Many of these limits were increased by EGTRRA in 2002 beyond the CPI-indexed increases that would have otherwise taken place. The most significant EGTRRA changes were the increases in 401(k) pre-tax contributions, catch-up contributions for employees age 50 and older, increase in maximum annual pensions, and the increase in considered compensation to \$200,000, indexed.

<b>2007 Amount</b>	<b>Limit</b>	<b>Last Year's Amount</b>
<b>\$15,500</b>	Maximum employee pre-tax deferral in a 401(k) or 403(b) plan (Increased by \$500 from prior year). This limit is indexed.	15,000
<b>\$5,000</b>	Catch-up elective deferrals for employees with their 50 <sup>th</sup> or later birthday in 2007. Plans are not required to allow catch-ups and a plan amendment is required to do so.	5,000
<b>\$10,500</b>	Employee deferral limit for SIMPLE plans (IRA and 401(k) versions).	10,000
<b>\$15,500</b>	Maximum pre-tax deferral in a governmental deferred compensation (457) plan. (Increased by \$1,000 over last year's limit).	15,000
<b>\$45,000 or 100% of pay</b>	Annual addition limit for defined contribution plans.	44,000 or 100% of pay
<b>\$225,000</b>	Maximum compensation that can be considered in a qualified retirement plan. Certain grand-fathered governmental plans may use a limit of \$300,000.	220,000
<b>\$180,000</b>	Maximum annual pension payable from a defined benefit plan at age 65 as a life only annuity. Adjusted for payments starting before age 62 and other forms of annuity.	175,000
<b>\$100,000</b>	The dollar limit in the definition of "highly compensated employees" for nondiscrimination testing. The definition includes only a) 5% owners or b) employees earning over \$100,000 (indexed to the Consumer Price Index and based on the prior year's compensation). The employer may elect to limit the over \$100,000 pay group to the top 20% of payroll.	100,000
<b>Employer deduction limit</b>	Employee elective deferrals are no longer counted towards the aggregate employer deduction limit of 25% of participant payroll.	Changed in 2003

See IR-2006-162, October 18, 2006

**The catch-up provision – a boon to employees age 50 and over**

Eligible participants in 401(k) and similar plans may contribute an additional \$5,000 in 2007 beyond the \$15,500 maximum contribution that is generally allowed. The catch-up amount is indexed to the CPI (until the EGTRRA sunset).

To be eligible an employee must reach his or her 50<sup>th</sup> birthday (or later) in 2007.

Plans are not required to add a catch-up provision. If the catch-up is desired, it must be added by plan amendment. If non-union employees are granted a catch-up, then collectively bargained employees must have the same option.

Contributions are only deemed as catch-up contributions at the end of the year (contributions intended as catch-up amounts may end up being under the standard limit in some situations).

**2007 Social Security Increases**

Social Security recipients receive a 3.3% increase in their benefits in January 2007. The increase, which is based on the annual change in the CPI, is less than the increase in 2006. The prior eight increases have been 4.1%, 1.3%, 2.1%, 2.9%, 2.6%, 2.4%, 3.5%, 2.6%, 1.4%, and 2.1%. The maximum benefit for an individual retiring at age 65 in 2007 is \$2,116 per month (up from \$2,053 last year). The Taxable Wage Base for 2007 is \$97,500; annual increases are indexed to US wage levels. The Medicare Part A deductible for 2007 is \$982 (up from \$952 last year) and the Part B premium is \$93.5 (up from \$88.50 last year). The Part B premium is higher for people with income is above \$80,000 (single) or \$160,000 (married couple), scaled to a maximum of \$161.40.

**2006 Medicare Part D Payment Schedule**

Annual Drug Cost	Part D Pays		Individual (or Other Coverage) Pays		
	Percent	Max \$	Percent	Max \$	Cum Max \$
0 - 250	0	0	100%	250	250
250 - 2,250	75%	1,500	25%	500	750
2,250 - 5,100*	0%	0	100%	2,850	<b>3,600</b>
5,100 - no limit	95%	no limit	5%	no limit	no limit

**2007 Medicare Part D Payment Schedule**

Annual Drug Cost	Part D Pays		Individual (or Other Coverage) Pays		
	Percent	Max \$	Percent	Max \$	Cum Max \$
0 - 265	0	0	100%	265	265
265 - 2,400	75%	1,601.25	25%	533.75	798.75
2,400 - 5,451.25*	0%	0	100%	3,051.25	<b>3,850</b>
5,451.25 - no limit	95%	no limit	5%	no limit	no limit

**2007 Federal Income Tax Rates**

The following rates are applied to 2007 taxable income.

Rate	Single	Married Joint
10% to	\$ 7,825	\$ 15,650
15% to	31,850	63,700
25% to	77,100	128,500
28% to	160,850	195,850
33% to	349,700	349,700
35% above	349,700	349,700

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