



Actuarial Consultants, Inc.

ACI Update

Retirement Plan Limits for 2003 Announced

On October 18, the Internal Revenue Service announced cost-of-living adjustments for tax-qualified retirement plans for the year 2003. These limits apply to plans that have been, or will be, amended for EGTRRA.

Defined Contribution Plan Limits

Individual Contributions

The limitation on contributions made on behalf of an individual to a defined contribution plan remains unchanged at \$40,000. Individuals will now be limited to contributions of 100% of compensation or \$40,000, whichever is less.

401(k) & 457 Deferrals

The dollar limitation on employee deferrals into 401(k) and 457 plans increases to \$12,000.

Catch-up Contributions

The 401(k) catch-up contribution limit increases to \$2,000 (for individuals age 50 or older).

Defined Benefit Plan Limits

The limitation on the annual benefit under a defined benefit plan remains unchanged at \$160,000.

Highly Compensated Employee Definition

The dollar limitation on compensation used to determine which employees are considered highly compensated will remain at \$90,000 in 2003. Thus, employees who earn \$90,000 or more for the plan year beginning in 2003 will be considered highly compensated for the plan year beginning in 2004.

Annual Compensation Limit

The maximum annual compensation that may be recognized by a plan will remain at \$200,000.

Key Employees

The dollar limitation for determining whether an employee is "Key" for officers in a top-heavy plan remains unchanged at \$130,000.

Social Security Administration Announcements

The Social Security wage base will increase from \$84,900 to \$87,000 in 2003.

Monthly Social Security benefits will increase by 1.4% in 2003.