

LINDQUIST

L I N D Q U I S T + V E N N U M

2012 BENEFIT PLAN LIMITATIONS

IRS Limits on Benefits and Compensation

DESCRIPTION	2012	2011
Maximum <i>plan year</i> compensation taken into account for plan purposes	\$250,000	\$245,000
Maximum <i>limitation year</i> annual additions (excluding “catch-up” contributions for those age 50 or older) to a participant’s account - <u>lesser</u> of 100% of compensation or	\$50,000	\$49,000
Maximum <i>calendar year</i> deferrals (including Roth deferrals) to a 401(k) plan	\$17,000	\$16,500
Maximum <i>calendar year</i> “catch-up” deferrals to a 401(k) plan for those age 50 and older in that calendar year	\$5,500	\$5,500
Maximum <i>calendar year</i> deferrals to a SIMPLE 401(k)/IRA (available for employers with less than 100 full-time employees)	\$11,500	\$11,500
Maximum <i>plan year</i> annual benefit payable through a defined benefit plan	\$200,000	\$195,000
An employee is a Highly Compensated Employee (HCE) if in the “top-paid 20%” (optional) of all employees and receives annual compensation (in the prior plan year or calendar year) of more than	\$110,000 in 2011	\$110,000 in 2010
A “key employee” in a top-heavy plan is an officer who has <i>plan year</i> compensation of more than	\$165,000	\$160,000

Please see next page for important information regarding application of these limits.

Social Security/Medicare Salary and Tax Levels; HSA Contribution Limit

DESCRIPTION	2012	2011
Taxable Wage Base – Social Security (FICA) tax of 6.2% on (Integration level for plan year beginning in)	\$110,100	\$106,800
Taxable Wage Base – Medicare (HI) tax of 1.45% on	No Limit	No Limit
Health Savings Account maximum annual contribution – single coverage	\$3,100	\$3,050
Health Savings Account maximum annual contribution – family coverage	\$6,250	\$6,150
Health Savings Account additional “catch-up” contribution for those age 55 or older in that calendar year	\$1,000	\$1,000

This is only a general summary of complex laws. It does not constitute legal advice. Consult us as to the effect of any law changes on your personal situation.

LINDQUIST & VENNUM P.L.L.P. EMPLOYEE BENEFITS PRACTICE

Robert J. Hartman (612-371-3520) (rhartman@lindquist.com) Edward J. Wegerson (612-371-3549) (ewegerson@lindquist.com)
Anthony A. Lusvardi (612-371-3961) (alusvardi@lindquist.com) Joshua T. Natzel (612-752-1041) (jnatzel@lindquist.com)
Todd A. Ronnei, Paralegal (612-371-2459) (tronnei@lindquist.com)

Guidelines for Applying the 2012 Plan Limits

There are a few points to keep in mind when applying the 2012 Benefit Limitations Chart:

- The limits on salary deferrals (\$17,000) and age 50+ catch-up salary deferrals (\$5,500) and SIMPLE Plans (\$11,500) applies for the 2012 calendar year. However, for non-calendar year plans, catch-up salary deferrals are also subject to some rather complex rules; consult us for more information. "Catch-up" and Roth 401(k) salary deferrals may be made only if your plan has been amended to allow them.
- The determination of Highly Compensated Employee (HCE) is made by looking back at the compensation earned in the previous year. For example, those employees who earn \$110,000 or more in calendar 2011 (or plan years beginning in 2011) will be considered HCEs for plan years beginning in 2012. (Those earning \$115,000 in 2012 will be HCEs in 2013.) An employee who is a 5% shareholder during the current or prior plan year (or calendar year) is always classified as a Highly Compensated Employee (HCE), regardless of compensation.
- All other limits (compensation limit, HCE limit, annual additions limits) apply to plan years beginning in that year. The integration level of plans integrated with Social Security is determined using the wage base in effect on the first day of the plan year, not the last day.
- Employers who sponsor 401(k) plans are reminded that 2011 deferrals in excess of the 2011 limit (\$16,500) must be refunded by April 16, 2012. In addition, any deferrals in excess of the 401(k) nondiscrimination limits (ADP and ACP) must generally be refunded or otherwise corrected within 2½ months of the plan year end to avoid excise taxes and other penalties. Plans using the current year ADP testing method (2011 results used to test 2011 deferrals) can make Qualified Non-elective Contributions to avoid refunds if made before the end of the 2012 plan year; plans using the prior year ADP testing method (2010 results used to test 2011 deferrals) are not permitted to make Qualified Non-elective Contributions, but must refund excess contribution deferrals.

Testing Tips

401(k) plan sponsors may disregard certain non-highly compensated participants for nondiscrimination testing purposes. For purposes of ADP and ACP nondiscrimination testing, a 401(k) plan sponsor may elect to disregard non-highly compensated employees eligible to participate in the plan before they have completed one year of service and reached age 21. To make this election, the plan must satisfy the minimum coverage rules taking into account only those employees who have not met the age 21 and one year of service requirements.

401(k) plan sponsors may make a safe-harbor contribution to avoid nondiscrimination testing. To avoid ADP and ACP testing and the resulting limits on HCE deferrals to 401(k) plan, a plan may generally provide a fully vested safe harbor contribution of either (i) matching contributions of up to 4 percent of compensation on 401(k) contributions (at least 100% on the first 3% and at least 50% of the next 2%), or (ii) employer contributions of 3 percent of compensation for all non-highly compensated employees. A notice must be provided to participants 30 days prior to the beginning of the plan year (prior to December 1, 2011, for 2012 calendar year plans).

For a top-heavy plan, employer matching contributions may be used to satisfy both the nondiscrimination test (ACP test) and the top-heavy minimum contribution.

The employer's annual deduction limit under Code Section 404 for all contributions to all defined contribution plans is 25% of aggregate participant gross compensation (including compensation deferred pre-tax to 401(k), cafeteria or transportation benefit plans). The 25% limit is computed based only on employer contributions; employee deferrals to a 401(k) plan do not count against the 25% deduction limit.