



Plan Administrators, Inc.

“EGTRRA” HIGHLIGHTS

EGTRRA stands for the Economic Growth and Tax Relief Reconciliation Act of 2001. This legislation provides the greatest impact on retirement plans in more than a decade. Below are the main provisions affecting retirement plans. Unless otherwise noted, all changes are effective for plan years beginning January 1, 2002.

Increased Elective Deferrals:

- From \$10,500 to \$11,000 annually
- Increases \$1,000 annually until it reaches \$15,000 in 2006.

“Catch-Up” Provision:

- Employees at least 50 years of age may make additional deferrals of \$1,000 annually.
- Increases \$1,000 annually until it reaches \$5,000 in 2006.

New Compensation Limit:

- Increased to \$200,000

Annual Additions Increased:

- From greater of \$35,000 or 25% of compensation to \$40,000 and 100%.

Increased Deduction Limit:

- From 15% of compensation including deferrals to 25% excluding deferrals

New Vesting Schedule for Matching Contributions:

- 7 year graded is replaced with 6 year graded
- 5 year cliff is replaced with 3 year cliff

Top Heavy Rules:

- All Safe Harbor 401(k) plans satisfy test
- Matching contributions apply to top heavy minimum
- 5 year look back reduced to 1 year, except for in-service distributions
- Key employee definition modified

Automatic Direct Rollovers:

- Pending final DOL guidance, direct rollovers to IRAs will be mandatory for involuntary cash outs exceeding \$1,000.

Portability:

- Rollovers allowed between qualified plans, 457 plans, 403(b) plans, and IRAs.
- After-tax contributions may be rolled over to qualified plans.

Hardship Distributions:

- All hardship distributions are ineligible for rollover.
- No mandatory federal/state withholding
- Deferral suspension period reduced from 12 months to 6 months following a distribution

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