



Richard Wehmeier
EVP & Principal Managing Director
Balseer Companies

Restoring Benefits 401(k) Make-Up Plan

The primary purpose for sponsoring nonqualified benefits continues to be restoring benefits lost to regulatory limits. A nonqualified deferred compensation plan provides an employee the option to forego current compensation for payments during retirement.

The federal 401(k) Contribution Limit cuts off the amount individual participants may defer in a 401(k) plan (\$15,500 in 2007) IRC §402(g); as well as anti-discrimination testing results, the Non-Discrimination Limits, that curtail highly compensated employees' deferrals and matches to an amount based on non-highly compensated employees' deferral rates IRC §401(k)(3) & 401(m). This affects the allowable deferral amounts for management and executive employees.

Make-up plans, shadow plans, and top-hat plans are designed to essentially restore what is lost due to federal limits and are designed much like the 401(k) plan's salary deductions, account valuation and payout conventions.

Employee's Ability to Defer

	Supervisor	Manager	Executive
Annual Compensation	\$50,000	\$175,000	\$275,000
401(k) contributions subject to the maximum \$15,500	15%	8.9%	5.6%
Company match or \$.50 on the dollar up to 3%	3%	3%	2.8%
Deferral Allowed	18%	11.9%	8.4%
Employee's Annual Lost Deferral Opportunity	-----	6.1%	9.6%

Select highly compensated executives who surpass the IRC 401(a)(17) limits can make-up the loss in 401(k) allowable deferrals.

