



## The IDC Plan: How Much Should You Contribute?

Alexander & Baldwin's retirement savings plan is called the Individual Deferred Compensation (IDC) Plan. This type of plan is also known as a 401(k) plan. Interestingly enough, the features that make the Plan a powerful savings vehicle can also make it difficult to understand. A lack of understanding, especially in how the contributions work, can affect how much money you could save by retirement.

### Types of Contributions

The money that accumulates in your IDC Plan account comes from contributions you and the Company make. Together, all of these contributions help to increase your retirement savings and investment earnings. In summary, there are four types of contributions:

- **Employee payroll contributions**—each pay period, you may set aside from 1% to 50% of your eligible earnings to the IDC Plan (subject to IRS limits—see *How IRS Maximums Apply* below). The contribution, also known as a deferral percentage, must be a whole percentage number.
- **Company matching contributions**—each pay period, the Company will match your contributions dollar for dollar, up to a maximum of 3% of your eligible earnings. For example, if your contribution percentage each pay period is 4%, the Company will match the first 3% each pay period, for a total contribution of 7%.
- **Catch-up contributions**—catch-up contributions allow older employees to boost their savings if they are age 50 or older and already contributing the maximum amount to their IDC account.
- **Rollover contributions**—you may “roll over” money from another employer's qualified plan, including a 401(k) plan and profit sharing plan. Money from personal IRA plans may not be rolled over to the IDC Plan.

### How IRS Maximums Apply

Because of the tax benefits of the IDC Plan, the IRS places maximums on employee and Company contributions. Depending on your annual earnings, these maximums could directly affect how much you and the Company may contribute to the IDC Plan. Maximums are subject to change each year. Here is a quick summary of those IRS maximums for 2007 and 2008:

- Your maximum pre-tax payroll contribution is \$15,500 per year (no change in 2008). This limit is applicable to all employees.
- Your maximum annual compensation that your contribution is based on is \$225,000 (\$230,000 in 2008). This limit is applicable to employees whose annual compensation exceeds this maximum. The deferral stops once this salary limit is attained, *even if the pre-tax contribution limit is not met*. Once this level of earnings has been reached within a calendar year, no further deferrals can be made until the next calendar year.
- Your maximum catch-up contribution is \$5,000 (no change in 2008).
- The combined maximum amount that you and the Company may contribute to the IDC Plan *and* the Profit Sharing Plan is \$45,000 (\$46,000 in 2008).

### When You Are Eligible

#### To enroll in the IDC Plan:

Anytime if you are a salaried, non-bargaining U.S. employee.

#### To receive the Company

**matching contribution:** After you have worked at least 1,000 hours for 12 consecutive months.

#### To make an additional catch-up

**contribution:** You must be age 50 or older and contributing the maximum amount.

### “Highly Compensated” Employees

Highly compensated employees and officers have additional limits to ensure that the IDC Plan does not discriminate in favor of these individuals. Contributions for these individuals will reduce or stop if the Plan does not pass the annual mandatory non-discrimination test.

See reverse for tips on getting the maximum Company contribution!

## Contribution Tips

The amount you contribute to the IDC Plan is entirely up to you. Most likely, it will depend on where you are in your career and how much money you want to save for retirement. Regardless of your stage in life, make sure you know how to take full advantage of the Company matching contribution by following these tips:

- **Enroll in the IDC Plan** so you can start saving for retirement. If you are not enrolled in the IDC Plan, you are passing up on free money in the form of Company matching contributions.
- **Spread pre-tax contributions** evenly over the entire year rather than contributing the maximum deferral amount early in the year to ensure you receive the full Company matching contributions. (If your annual salary is above the maximum compensation limit, be sure to coordinate your contribution timing so that you take advantage of the Company match before you hit either the pre-tax contribution or annual compensation limit.)
- **Contribute at least 3%** of your annual earnings. Anything less means that you are not getting the full Company matching contribution. Your contribution must be a whole percentage.
- **Increase your deferral** by making small incremental increases periodically to boost your savings. If your budget allows, consider using your pay raises to increase your deferral percentage.

## How to Calculate the Maximum Deferral Percentage

At some point, you may want to contribute the **maximum possible deferral percentage**. If so, your contribution may be subject to the IRS maximums depending on your salary. Even though you may contribute up to 50% of your annual pay, you may only do so if the annual contribution amount does not exceed the IRS limit of \$15,500 (no change in 2008). If your compensation is more than \$225,000 (\$230,000 in 2008), you may contribute until the earlier of the two maximums is attained. Because the Company match is deposited on a pay period basis, the goal is to spread out your pre-tax contributions so that they total the IRS maximum by the end of the year and you can receive the full Company match.

One way to calculate the deferral percentage is as follows:

$\$15,500$  (the 2008 IRS maximum)  $\div$  your annual salary (up to IRS limit)  
= the deferral percentage.

If the above calculation results in a percentage that is not a whole number, you will need to convert it to a whole number. For example, if your maximum deferral percentage equals 15.5%, you would defer 16% for a set number of pay periods and 15% for the remaining pay periods.

To help you determine the appropriate deferral percentage for each pay period, the Company has developed a Deferral Match Calculator. In just three clicks, this online tool will display the deferral percentage needed to reach the maximum. The tool is updated to reflect changes to the IRS deferral maximum, so you may recalculate each year. **The tool is programmed to be used for salaries that are equal to or less than the IRS maximum of \$230,000 (2008 maximum); if your salary exceeds the IRS maximum, please call your local Human Resources Representative for assistance.**

For more details about the IDC Plan, please refer to the *Alexander & Baldwin Benefits Handbook*, available at [www.flexab.com](http://www.flexab.com).

## Getting to the Max: Spread it Out

If you want to contribute the full pre-tax maximum, make sure that you select a deferral percentage that allows your contributions to spread out over your eligible contribution period (for those earning under the maximum compensation limit, this is the entire calendar year). If you choose a percentage that causes you to reach the IRS dollar maximum mid-year, the Company is required to stop your contributions, which means you will no longer receive the Company matching contribution.

## Try the Online Deferral Match Calculator!

- Simple and quick to use
- Displays the applicable deferral percentage(s) and pay periods to reach the maximum contribution
- Can be used to recalculate for mid-year salary increases
- Updated each year to reflect

### Ready to Contribute?

To elect or change your deferral contribution, log on to [www.netbenefits.401k.com](http://www.netbenefits.401k.com) or contact Fidelity Retirement at 800-835-5098.