



Annual Benefit Limit-IRC 415(b) Policy

I. Purpose

- A. To reaffirm and clarify the existing practices of the San Joaquin County Employees' Retirement Association ("SJCERA") with respect to the annual benefit limit applicable for the SJCERA in accordance with Internal Revenue Code ("Code") section 415(b) and Treasury regulations issued thereunder.

II. Definitions

- A. Annual Benefit: "Annual Benefit" means a benefit that is payable annually in the form of a Straight Life Annuity. Except as provided in Section III-A.5, where a benefit is payable in a form other than a Straight Life Annuity, the benefit shall be adjusted (solely for purposes of applying the limits of Code section 415 and of this policy) pursuant to Section III-A.7 to an actuarially equivalent Straight Life Annuity that begins at the same time as such other form of benefit and is payable on the first day of each month.
- B. Annual Benefit Limit: "Annual Benefit Limit" means the limit described in Section III-A.1.
- C. Annuity: "Annuity" for purposes of this policy does not mean "annuity" as defined in the County Employee Retirement Law but instead means a retirement benefit that is payable by the SJCERA, as provided in Code section 415.
- D. Annuity Starting Date: "Annuity Starting Date" means the first day of the first period for which a retirement benefit is payable as an annuity or, in the case of a retirement benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Member to payment under the SJCERA.
- E. Applicable Interest Rate: "Applicable Interest Rate" means the "applicable interest rate" defined in Code section 417(e)(3)(C) and shall be such rate of interest determined as of the third month preceding the stability period, which shall be the calendar year containing the Annuity Starting Date for the distribution and for which the Applicable Interest Rate shall remain constant.
- F. Applicable Mortality Table: "Applicable Mortality Table" means the "applicable mortality table" defined in Code section 417(e)(3)(B).
- G. Employer: "Employer" means the entity that participates in the SJCERA in accordance with the CERL and employs the Member. The term "Employer" also includes any Affiliated Employer. Solely to the extent provided in the Code with respect to public agencies, the term "Affiliated Employer" means all members of a controlled group of an Employer.
- H. Limitation Year: "Limitation Year" means the calendar year.
- I. Spouse: Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered

into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term “Spouse” does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

- J. Straight Life Annuity: “Straight Life Annuity” means an Annuity payable in equal installments for the life of the member and terminating on the Member’s death.

III. Annual Benefit Limit

A. Annual Benefit Limit, in General

1. Annual Limit

- a. Unless the alternative limit described in Section III applies, the Annual Benefit payable to a Member under the SJCERA at any time shall not exceed the [Annual IRC Limit](#) specified under Code section 415(b)(1)(A)) , automatically adjusted under Code section 415(d), effective January 1 of each year, as provided by the Internal Revenue Service.

2. Maximum Payment

- a. If the benefit the Member would otherwise be paid in a Limitation Year would be in excess of the limit in subsection A.1 above, the benefit shall be limited to a benefit that does not exceed the limit.

3. COLA Adjustment

- a. In the case of a Member who has had a severance from employment with the Employer, the Annual Benefit Limit applicable to the Member in any Limitation Year beginning after the date of severance shall be automatically adjusted under § 415(d) of the Code.

4. Multiple Annuity Starting Dates

- a. For a Member who has or will have distributions commencing at more than one Annuity Starting Date, the Annual Benefit shall be determined as of each such Annuity Starting Date (and shall satisfy the limitations of this policy as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other Annuity Starting Dates.
- b. For this purpose, the determination of whether a new starting date has occurred shall be made in accordance with section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Treasury regulations.

5. Actuarial Adjustment for Forms of Benefit

- a. Except as provided in Section III-A.6, if the Member’s benefit is payable in a form other than a Straight Life Annuity, then solely for purposes of

applying the limits of Code section 415 and of this policy, the actuarially equivalent Straight Life Annuity shall be determined in accordance with paragraph a or b below, whichever is applicable.

- i. Annuities: If the Member's benefit is payable in the form of a non-decreasing life annuity or other form of benefit described in Treasury regulation section 1.417(e)-1(d)(6) (e.g., other than a lump sum, installments, a decreasing annuity or a term certain), then the actuarially equivalent Straight Life Annuity is determined using the greater of:
 1. The Straight Life Annuity (if any) payable to the Member under the SJCERA commencing at the same annuity starting date as the form of benefit payable to the Member; or
 2. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using:
 - a. A 5% interest assumption; and
 - b. The applicable Mortality Table.
 - i. Lump Sums, Installments, etc.: If the Member's benefit is payable in the form of a lump sum, installments, a decreasing annuity, term certain or other form of benefit not described in Treasury regulations section 1.417(e)-1(d)(6), then the Straight Life Annuity that is actuarially equivalent to the Member's form of benefit is equal to the greatest of:
 1. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the interest rate and the mortality table specified in the SJCERA for adjusting benefits in the same form;
 2. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using a 5.5 percent interest rate and the Applicable Mortality Table; or
 3. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the Applicable Interest Rate and the Applicable Mortality Table divided by 1.05.
6. No Actual Adjustment (or Limitation) Required for Certain Benefits
 - a. In determining the Annual Benefit, no actuarial adjustment to the benefit shall be made for the following benefits of benefit forms:

- i. Qualified Joint And Survivor Annuity: Survivor benefits payable to a surviving Spouse under a joint and survivor annuity that would qualify as a qualified joint and survivor annuity defined in Code section 417(b). If benefits are paid partly in the form of a qualified joint and survivor annuity and partly in some other form (such as a single sum distribution), the rule of this paragraph applies only to the survivor annuity payments under the portion of the benefit that is paid in the form of a qualified joint and survivor annuity.
- ii. Benefits that are not "Retirement Benefits": Benefits that are not directly related to retirement benefits (such as pre-retirement qualified disability benefits, preretirement incidental death benefits, and postretirement medical benefits). Additionally, these benefits shall not be subject to the Annual Benefit Limit.
- iii. Certain Automatic Benefit Increases: Benefits that meet the following requirements: (a) the SJCERA provides for automatic periodic increases such as a form of benefit that automatically increases the benefit paid according to a specified percentage or objective index (but not a benefit that is increased on an ad hoc basis or a basis that is separately determined by action of the SJCERA's Board of Retirement or the County's Board of Supervisors) and (b) the form of benefit complies with Code section 415(b) without regard to the automatic benefit increase.

In no event shall the amount payable to the Member under the form of benefit in any Limitation Year be greater than the Annual Benefit Limit applicable at the Annuity Starting Date increased by the amounts provided in Code section 415(d). Also if the form of benefit without regard to the automatic benefit increase is not a Straight Life Annuity, then the Annual Benefit at the Annuity Starting Date is determined by converting the form of benefit to an actuarially equivalent Straight Life Annuity, as provided in Section III-B.1 herein.

7. Rules For Determining Annual Benefit

- a. Social Security Supplements, etc.: The determination of the Annual Benefit shall take into account social security supplements described in § 411(a)(9) of the Code and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant to section 1.411(d)-4, Q&A-3(c), of the Treasury regulations.
- b. Member Contributions: The determination of the Annual Benefit shall disregard benefits attributable to Member contributions or rollover contributions. Benefits attributable to Member contributions do not include any benefits that are made on a pre-tax basis such as pickups under Code section 414(h)(2) or such as Member contributions that are actually paid by the Member's employer.
- c. Rollovers: The amount of any benefits attributable to Member contributions and to rollover contributions shall be determined in accordance with Code section 415.
- d. Voluntary Contributions: Member contributions that are defined as

“voluntary” contributions under Code section 415 (such as certain contribution under CERL section 31627) are not subject to the limits of this policy but are subject to the limits of Code section 415(c) concerning defined contribution plans.

B. Reduction for Less than 10 Years of Participation

1. Reduction

- a. If the Member has less than 10 Years of Participation in the SJCERA, the Annual Benefit Limit shall be multiplied by a fraction -- (i) the numerator of which is the number of years (or part thereof, but not less than one year) of participation in the SJCERA, and (ii) the denominator of which is 10.

2. Counting Years of Participation

- a. The Member is credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met:
 - i. The Member is credited with at least the number of hours of service or period of service for benefit accrual purposes, required under the terms of the SJCERA in order to accrue a benefit for the accrual computation period, and
 - ii. The Member is included as a Member under the eligibility provisions of the SJCERA for at least one day of the accrual computation period.
- b. If these two conditions are met, the portion of a Year of Participation credited to the Member shall equal the portion of a year of benefit accrual service credited to the Member for such accrual computation period.
- c. A Member who is permanently and totally disabled within the meaning of §415(c)(3)(C)(i) of the Code for an accrual computation period shall receive a Year of Participation with respect to that period.
- d. In no event shall more than one Year of Participation be credited for any 12-month period. For example, if under the SJCERA, a Member receives 1/10 of a year of benefit accrual service for an accrual computation period for each 200 hours of service, and the Member is credited with 1,000 hours of service for the period, the Member is credited with 1/2 year of participation for purposes of this subsection.

3. Disability and Death Benefits

- a. The reduction described in paragraph 1 above shall not apply to disability benefits or death benefits as provided in the Code.

C. Reduction for Commencement before Age 62 for Certain Members

1. No Reduction for Certain Safety Members

- a. The adjustment described in this subsection shall not apply if the Member's benefit is based on at least 15 years as a full-time employee of any police or fire department of an Employer that maintains the SJCERA or as a member of the armed forces of the United States. Such police or fire department must be organized to provide police protection, firefighting services or emergency medical services for any area within the jurisdiction of such Employer.

2. Reduction for Benefits Commencing before Age 62

- a. If the Member's benefits commence before the Member attains age 62, the Annual Benefit Limit is equal to the lesser of:
 - i. The Annual Benefit Limit reduced in accordance with Code section 415(b) to its actuarial equivalent using:
 - 1. The Applicable Mortality Table; and
 - 2. A 5% interest rate; or
 - ii. The Annual Benefit Limit multiplied by the ratio of the immediately commencing Straight Life Annuity under the SJCERA at the Member's Annuity Starting Date to the annual amount of the Straight Life Annuity under the SJCERA commencing at age 62, both determined without applying the limitations of this policy.

3. Probability of Death

- a. No adjustment will be made to the annual benefit limit to reflect the probability of death between the Annuity Starting Date and age 62 unless the Member's benefit is forfeited at death before the Annuity Starting Date.

4. Death and Disability

- a. The adjustment described in paragraph 1 of this subsection shall not apply to disability benefits or death benefits as provided in the Code.

D. Increase for Commencement after Age 65

- 1. Increase for Commencement after 65: If the Member's benefits commence after the Member attains age 65, the Annual Benefit Limit is equal to the lesser of:
 - a. The Annual Benefit Limit increased in accordance with Code section 415(b) to its actuarial equivalent using:
 - i. The Applicable Mortality Table; and
 - ii. A 5% interest rate; or
 - b. The Annual Benefit Limit multiplied by the ratio of the annual amount of the adjusted immediately commencing Straight Life Annuity under the SJCERA at the Member's Annuity Starting Date to the annual amount of the adjusted immediately commencing Straight Life Annuity under the SJCERA at age 65, both determined without applying the limitations of this policy. For this purpose, the adjusted immediately commencing Straight Life Annuity under the SJCERA at the Member's Annuity Starting Date is the annual amount of such annuity payable to the Member, computed disregarding the Member's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing Straight Life Annuity under the SJCERA at age 65 is the annual amount of such annuity that would be payable under the SJCERA to a hypothetical Member who is age 65 and has the same

accrued benefit as the Member.

2. Probability of Death: No adjustment will be made to the Annual Benefit Limit to reflect the probability of death between age 65 and the Annuity Starting Date unless the Member's benefit is forfeited at death before the Annuity Starting Date.
- E. Minimum Benefit Permitted: The benefit otherwise accrued or payable to a Member under the SJCERA is treated as not exceeding the Annual Benefit Limit if:
1. Minimum Benefit Limit Allowed
 - a. The sum of the retirement benefits payable under any form of benefit with respect to the Member for the Limitation Year or for any prior Limitation Year under the SJCERA and all other defined benefit plans (without regard to whether a plan has been terminated) ever maintained by the Member's Employer does not exceed \$10,000 multiplied by a fraction – (i) the numerator of which is the Member's number of years (or part thereof, but not less than one year) of service (not to exceed 10) with the Member's Employer or an Affiliated Employer, and (ii) the denominator of which is 10; and
 2. Condition
 - a. The Member has never participated in any qualified defined contribution plan maintained by the Member's Employer or an Affiliated Employer.

IV. Participation in Multiple Defined Benefit Plans

A. Application of Limit to Aggregate Benefits

1. If the Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's Employer, the sum of the participant's Annual Benefits from all such plans may not exceed the Annual Benefit Limit.

B. Multiple Plan Benefit Limit Coordination

1. Where the Member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the Annual Benefit Limit applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced under the SJCERA, but if such other plan provides that it will be reduced, the reduction will be made in such other plan sufficient to avoid exceeding the limit.

V. Multiple Employer Plan

- A. Employer-provided benefits attributable to the Member for all of the Employers participating in the SJCERA are taken into account for purposes of applying the Annual Benefit Limit.

VI. Grandfather Rules

- A. Annual Benefit Limit Equals Accrued Benefit

1. Notwithstanding anything herein to the contrary, the Annual Benefit Limit with respect to a Qualified Member shall not be less than the accrued benefit of the Qualified Member under the SJCERA determined without regard to any amendment made after October 14, 1987.

B. Qualified Participant

1. For purposes of this section, the term "Qualified Member" means a Member who first became a Member in the SJCERA before January 1, 1990.

C. Election

1. By the enactment of CERL section 31899 et. seq. the "grandfather" election under Code section 415(b)(10) was made for the SJCERA and all retirement systems maintained under the CERL to have this Section VI. apply.

VII. Purchase of Permissive Service Credit

A. General Rule

1. To the extent a Member is not prohibited by the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), if a Member makes one or more contributions to the SJCERA to purchase Permissive Service Credit under the SJCERA, then the requirements of this policy will be treated as met only if:
 - a. The requirements of this policy are met, determined by treating the accrued benefit derived from all such contributions as an Annual Benefit for purposes of this policy; or
 - b. The requirements of SJCERA's Annual Benefit Limit policy governing the limits on annual additions IRC 415(c) applicable to defined contribution plans are met by treating all such contributions as annual additions.

B. Permissive Service Credit

1. Permissive Service Credit Defined: For purposes of this Section, "Permissive Service Credit" means credit:
 - a. Recognized by the SJCERA for purposes of calculating a Member's benefit under the SJCERA;
 - b. Which such Member has not received under the SJCERA; and
 - c. Which the Member may receive only by making a voluntary additional contribution in an amount determined under the SJCERA, which does not exceed the amount necessary to fund the benefit attributable to the service credit purchased.
 - d. Permissive Service Credit also includes service credit for periods for which there is no performance of service and, notwithstanding subparagraph b of this paragraph, may include service credited in order to provide an increased benefit for service credit which a Member is receiving under the SJCERA, but only to the extent permitted by the

statutes applicable to the SJCERA and not prohibited by PEPRA.

2. Limitation on Nonqualified Service Credit: The SJCERA will fail to satisfy the requirements of this policy if:
 - a. More than 5 years of Nonqualified Service Credit is taken into account for purposes of this Section; or
 - b. Any Nonqualified Service Credit is taken into account under this Section before the Member has at least 5 Years of Participation under the SJCERA.
3. Nonqualified Service Credit: For purposes of paragraph 2 of this subsection, the term "Nonqualified Service Credit" means permissive service credit other than that allowed with respect to:
 - a. Service (including parental, medical, sabbatical, and similar leave) as an employee of the government of the United States, a State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of repayment described in paragraph c below;
 - b. Service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in subparagraph (a) of this paragraph) of an educational organization described in Code section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed;
 - c. Service as an employee of an SJCERA of employees who are described in paragraph a above; or
 - d. Military service (other than qualified military service under Code section 414(u)) recognized by the SJCERA.
 - e. In the case of service described in paragraphs a, b or c above, such service will be nonqualified service if recognition of such service would cause a Member to receive a retirement benefit for the same period of service under more than one plan.
 - f. Even if any proposed service credit purchase meets the above requirements, to the extent such proposed service credit purchase is prohibited under the terms of PEPRA, the SJCERA will not process such service credit purchase.
4. Trustee-To-Trustee Transfers
 - a. In the case of a trustee-to-trustee transfer to the SJCERA to which Code section 403(b)(13)(A) or 457(e)(17)(A) applies, (without regard to whether the transfer is made from a plan that is maintained by the same Employer):
 - i. The limitations of Section VII-B.2 shall not apply in determining whether the transfer is for the purchase of Permissive Service Credit; and

- ii. The distribution rules applicable under the Code to the SJCERA shall apply to such amounts and any benefits attributable to such amounts.

C. Redeposit of Withdrawals.

- 1. In the case of any repayment of accumulated members contributions (including interest thereon) to the SJCERA with respect to an amount previously withdrawn upon a forfeiture of service credit under the SJCERA or under another governmental plan maintained by a state or local government employer with in the State of California, any such repayment shall not be taken into account for purposes of this policy.

VIII. The Code and Regulations Prevail

- A. This policy is intended to be in accordance with the Code and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern. Only the portions of this policy in conflict with the applicable law shall be invalidated, the remainder shall remain in force.

IX. Policy Review

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

X. History

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| 01/01/2015 | Effective Date of Bylaw Section 26 |
| 12/08/2017 | Extracted from Bylaws |
| 06/29/2018 | Staff reviewed, no content changes; updated format. |
| 04/12/2019 | Policy Review section amended to at least once every three years |
| 07/09/2021 | Minor edits by tax counsel |
| 07/16/2024 | Amended employer definition and other non-substantive changes |
| 07/11/2025 | Staff reviewed, minor content changes |

Certification of Board Adoption



Clerk of the Board

07/11/2025

Date