

**SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION**  
**MAXIMUM CONTRIBUTION AND BENEFIT LIMITS – CODE SECTION 415(b) POLICY**

**I. PURPOSE**

To affirm that benefits under the trust fund of the San Diego County Employees Retirement Association (the "Association") will be limited to the maximum permissible amount of benefits that may be payable under the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 31538 and Sections 31899 *et seq.* of the California Government Code. This Policy includes a defined benefit limitation policy, which is in written in three parts: (1) to provide that benefits under the Association will comply with the Final Treasury Regulations under Code section 415, as published April 5, 2007, as of the applicable effective date of the Final Treasury Regulations, (2) to affirm that benefits under the Association prior to the effective date of the April 5, 2007, regulation will comply with Code section 415, and (3) to affirm the election of the "grandfather" option of Code section 415(b)(10).

**II. POLICY**

A. Current Policy

Effective for limitation years beginning on or after January 1, 2010, the following rules shall apply:

1. The defined benefit payable to a Member of the Association shall not exceed the applicable limits under Code section 415(b), as periodically adjusted by the Secretary of the Treasury pursuant to Code section 415(d). This adjustment shall also apply to a Member who has had a severance from employment or, if earlier, an annuity starting date. Benefits that are subject to Code section 415(b) shall comply with the foregoing limit in each year during which payments are made. The foregoing limit shall be adjusted pursuant to the requirements of Code sections 415(b)(2)(C) and (D) relating to the commencement of benefits at a date prior to age 62 or after age 65, subject to other applicable rules under Code section 415. Any member whose benefits were limited by the application of section 415 of the Internal Revenue Code immediately prior to its amendment by the Economic Growth and Tax Relief Reconciliation Act of 2001 shall, for limitation years ending on or after July 1, 2002, have his/her benefit increased to the amount computed under the applicable plan, but not in excess of the limits of section 415(b)(1)(A) of the Internal Revenue Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001.
2. The application of this rule shall not cause the maximum annual retirement allowance for any Member to be less than the Member's accrued benefit under all applicable defined benefit plans as of the end of the last limitation year beginning before January 1, 2010, under provisions of Association that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of SDCERA that were both adopted and in

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- effect before April 5, 2007 satisfied the applicable requirements of statutory provisions, regulations, and other published guidance relating to Code section 415 in effect as of the end of the last limitation year beginning before January 1, 2010, as described in Treasury Regulation section 1.415(a)-1(g)(4).
3. No adjustment shall be required to a benefit subject to an automatic benefit increase feature described in Treasury Regulation section 1.415(b)-1(c)(5).
  4. To the extent that Code section 415 and the Treasury Regulations thereunder require that an interest rate under Code section 417(e) apply, the applicable lookback month shall be the calendar month preceding the current month and the applicable stability period is one calendar month.
  5. If a 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, as determined pursuant to Code sections 414(b), 415(c), and 415, the sum of the participant's benefits payable annually in the form of a straight life annuity from all such plans may not exceed the limit described in item (1) above. Where the Member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the limit described in (1) above 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 Association only to the extent that the reduction under such other plans is insufficient to avoid exceeding the limit.
  6. The defined benefit payable to a Member under the Association shall be determined in accordance with the requirements of Code section 415(b) and the Treasury Regulations thereunder. The limitation year is the calendar year.

Notwithstanding any provision of the Association to the contrary, effective July 1, 2004, the Association shall comply with the provisions of the Pension Funding Equity Act of 2004 modifying the rules set forth in section 415 of the Code, to the extent applicable.

**B. Prior Policy**

Notwithstanding any provision of the Association to the contrary, the Association shall comply with Code section 415 and applicable Treasury Regulations thereunder.

**C. “Grandfather Election”**

The retirement benefits for any person who first became a Member of the system on or after January 1, 1990, shall be subject to the payment limitations of Code section 415 as described in this Section II. The retirement benefits of any person who became a Member of the system before January 1, 1990, shall be subject to the limitations of Code section 415 to the extent that those benefits are not exempt from those limitations under the "grandfather" election that has been made under Section 31899.2 of the California Government Code and Code section 415(b)(10).

**D. Incorporation by Reference**

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Notwithstanding any provision of the Association to the contrary, the Association shall comply with Code section 415 and the Treasury Regulations thereunder.

**REVIEW**

This policy shall be reviewed by the Board at least every three (3) years and may be amended at any time.

**HISTORY**

June 7, 2012	Adopted, effective immediately
June 4, 2015	Reviewed, no changes