



Memorandum

TO: Board of Administration for the Federated City Employees' Retirement System
FROM: Donna Busse
SUBJECT: 415b Overpayment Calculation
DATE: May 8, 2017

Approved

Date

Rekub S. Lars

5/9/17

RECOMMENDATION

Discussion and Action regarding 415 Over-payments made in 2015 and 2016.

BACKGROUND

Section 415(b) of the Internal Revenue Code (IRC) limits the annual retirement benefit that can be paid to Federated City Employees' Retirement System (FCERS) retirees. The IRS publishes the 415(b) limit annually. The individual's limit is based on the maximum 415(b) benefit allowable for FCERS retirees at their age at retirement adjusted for any post-tax employee contributions made (as determined by the Board's actuary). Retirees that became a member of the Plan before January 1, 1990, are considered to have been "grandfathered". Being grandfathered means, their pension will not be lower than the pension they would have received under the benefit plan in place on October 14, 1987.

For amounts owed as of July 2014 due to 415 over-payments, the Board approved seeking recoupment of overpayment amounts from the employer rather than the impacted retirees at their June 18, 2015 meeting.

ANALYSIS

During the 2017 415(b) adjustment process, the Office of Retirement Services ("ORS") found that some past over-payments needed to be adjusted and consequently, some new over-payments were made in 2015 and 2016. These adjustments were made necessary by correction of calculations for a retiree's "grandfathered" limit and/or by corrections to the 415(b) age reduced limits. The adjustments to three past over-payments actually net to a reduction in the past over-payment amounts of over \$5,000 which will reduce the amount previously billed to the City. The four new over-payment amounts total about \$15,000. These four retirees have been notified

of their over-payment amounts and advised that the Board would discuss the issue at their May 18, 2017 meeting.

CONCLUSION

In consultation with fiduciary counsel, staff recommends that the four new over-paid retirees be treated the same as the previously over-paid retirees and collection not be sought from them. The amount could be added to the previous recoupment amount from the City. Combined with the reduced over-payment amounts from the net addition would be less than \$10,000. It should be noted that through this process, one other retiree was found to be reduced incorrectly in 2016 and will be paid back according to the Boards under-payment policy.



Donna Busse
Deputy Director