

CalPERS REPLACEMENT BENEFIT PLAN

Finance Department

Finance Committee
June 12, 2019

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REPLACEMENT BENEFIT PROGRAM

1. IRC section 415(b) limits benefits from tax qualified defined benefit (DB) pension plan like CalPERS
2. 1989 and 1990 IRC section 415(b) limits and a “grandfather” election enacted in state law by two CalPERS’ sponsored bills
 - A. SB 200 (Stats. 1989, CH. 1305) and SB 2373 (Stats. 1990, Ch. 798)
 - B. These bills also created a Replacement Benefit Program - To extent reasonable with commensurate replacement benefits
3. 1996 Congress enacted the Small Business Job Protection Act which amended IRC section 415



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REPLACEMENT BENEFIT PROGRAM

4. Amendment added subdivision (m)
5. IRC section 415(m) allows governmental pension plans to provide benefits that exceed the limit from a "qualified governmental excess benefit arrangement"
6. 2001 CalPERS adopted regulations to establish the RBP
 - A. Every CalPERS employer is deemed to participate in the RBP in accordance with Government Code section 21761
 - B. Done for the purpose of maintaining tax exempt status of plan
7. Effective January 1, 2019, the limitation on the annual benefit is \$225,000



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CURRENT STATE OF THE PROGRAM

1. Currently close to 1,000 CalPERS members have retirement benefits that exceed the limit
2. CalPERS expects the number of RBP participants to temporarily increase as more classic members retire
3. Approximately 1/3 are public safety members
4. 2012 PEPR law reduced participation in the program



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IMPACT OF THE REPLACEMENT BENEFIT PROGRAM

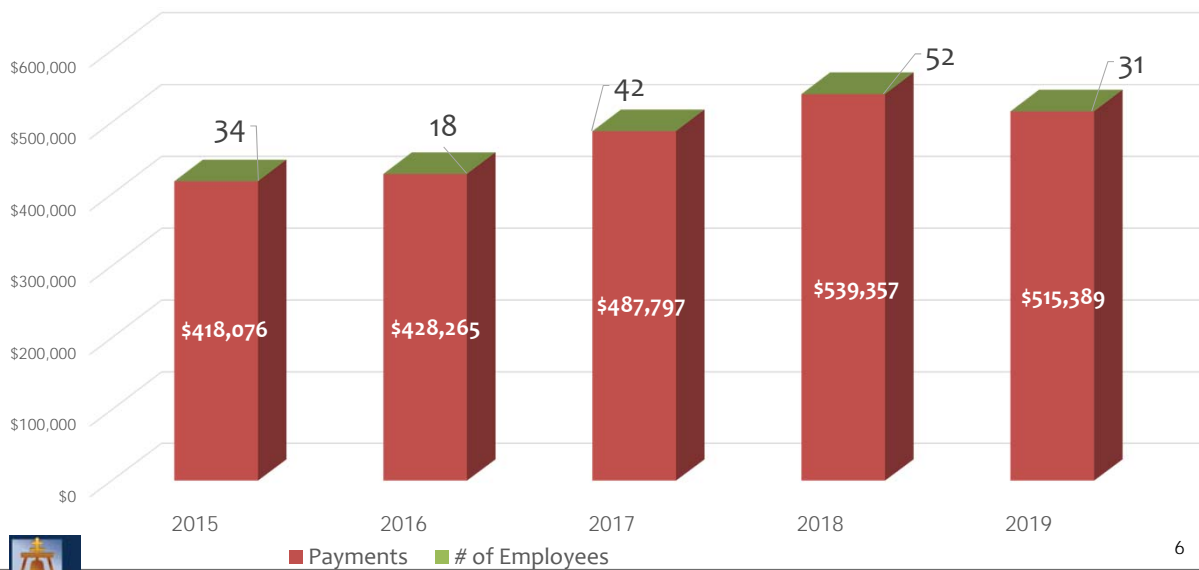
1. The City participates in the RBP based on the contracts with CalPERS
2. The City is invoiced in January of each year for the RBP
 - A. Additional invoices throughout the year for COLA adjustments
 - B. Retirements done during the year rather than at end
3. Difficult to budget as amounts cannot be determined until retirement – Budget set from most recent invoices
4. RBP payments are allocated to all agencies worked



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REPLACEMENT BENEFIT PLAN PAYMENTS



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RECOMMENDATION

That the Finance Committee receive information on the Replacement Benefit Plan administered by the California Public Employees' Retirement System.

