

**Retirement Board**

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Memorandum

To: Retirement Liaison Officers

From: Cheryl Price, Operations Officer

Date: February 24, 2015

Re: Proposed Revisions to LRS Official Policies

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The Public Employees' Retirement Board has approved for notice the **adoption of new policies and the re-adoption of all previously adopted policies** of the Board in accordance with NRS 218C.150 and NRS 218C.180. Please immediately cause a copy of this notice to be posted on a bulletin board or in some conspicuous place in your office.

The public hearing on the revised policies will take place no earlier than 1:00 p.m. on March 18, 2015. The March meeting will be held in the PERS' Board Room, 693 West Nye Lane, Carson City. Any person wishing to testify should be in attendance at the meeting. The revised policies may be adopted at the March 18, 2015, meeting and become effective April 15, 2015.

The following pages include the proposed changes to the policies; additions are underlined and deletions have a strikethrough line.

## CODE SECTION 415 LIMIT

Policy 9.16 Solely for purposes of this Article, the term “System” shall mean the Legislators’ Retirement System of Nevada and the term “member” shall include a member of the foregoing.

218C.340 9.17 The defined benefit payable to a member of the System shall not exceed the applicable limits under [section 415\(b\) of the Internal Revenue Code \(IRC\) 415\(b\)](#), as periodically adjusted by the Secretary of the Treasury pursuant to ~~IRC Internal Revenue Code section~~ 415(d). The limitation year is the calendar year. This limit shall apply to a member who has had a severance from employment or, if earlier, an annuity starting date. Benefits that are subject to ~~IRC Internal Revenue 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 ~~IRC Internal Revenue Code section~~ 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 ~~IRC Internal Revenue Code section~~ 415. 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). To the extent that ~~IRC Internal Revenue Code section~~ 415 and the Treasury Regulations thereunder require that an interest rate under ~~IRC Internal Revenue 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.

The total annual additions allocated to a member for any limitation year shall not exceed the applicable limits under IRC 415(c), as periodically adjusted by the Secretary of the Treasury pursuant to IRC 415(d). To the extent that a definition of “compensation” under IRC 415 is required in order to apply the limits under IRC 415(c) and the Treasury Regulations thereunder to benefits subject to such limits, the term “compensation” shall be defined in accordance with IRC 415(c)(3) and Treasury Regulation section 1.415(c)-2(d)(4), including, to the extent provided by paragraph (e)(3)(i) of Treasury Regulation section 1.415(c)-2, payments described in paragraph (e)(3)(ii) thereof. Effective for years beginning after December 31, 2008, for purposes of this section, “compensation” shall include differential wage payments described in IRC 3401(h). In the event that a member participates in another defined contribution plan of the member’s employer, as determined pursuant to IRC 414(b), 415(c), and 415, that is a tax-qualified defined contribution plan, contributions or allocations that would otherwise be made on behalf of the member to the other plan shall first be reduced to the extent necessary to avoid exceeding the limitations of this Policy.

Policy 9.18 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 Internal Revenue Code sections 414(b), 415(c), and 415, the sum of the member’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 System only to the extent that the reduction under such other plans is insufficient to avoid exceeding the limit.

### MINIMUM REQUIRED DISTRIBUTIONS

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| Policy   | 9.19 | For purposes of this Article, the term "System" shall mean the Legislators' Retirement System of Nevada.  |
| 218C.520 | 9.20 | Pursuant to Treasury Regulations under section 401(a)(9) of the Internal Revenue Code (IRC), notwithstanding any provision of the System to the contrary, the System shall comply with IRC 401(a)(9), including the minimum distribution incidental benefits rule of IRC 401(a)(9)(G), pursuant to a reasonable and good faith interpretation of IRS 401(a)(9). |

### ELIGIBLE ROLLOVER DISTRIBUTIONS

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| <u>Policy</u> | <u>9.21</u> | <u>Notwithstanding any provisions of the System to the contrary, any "eligible rollover distribution" (within the meaning of section 402(c)(4) of the Internal Revenue Code (IRC)) may be rolled over to an "eligible retirement plan." The election and rollover of an "eligible rollover distribution" shall be effected in a manner consistent with IRC 401(a)(31) and applicable Treasury Regulations.</u> |
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- a. For purposes of this section, an "eligible retirement plan" is an individual retirement account described in IRC 408(a), an individual retirement annuity described in IRC 408(b), an annuity plan described in IRC 403(a), a qualified trust described in IRC 401(a), an annuity contract described in IRC 403(b), or an eligible plan under IRC 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan, that accepts a distributee's eligible rollover distribution. Effective for distributions after December 31, 2007, the term "eligible retirement plan" shall also mean a Roth individual retirement account as described in IRC 408A. The general definition of "eligible retirement plan" shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in IRC 414(p).
- b. For purposes of this section, an "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially

equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under IRC 401(a)(9); the portion of any other distribution(s) that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); any other distribution(s) that is reasonably expected to total less than \$200 during a year; and any distribution on account of hardship.

A portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in IRC 408(a) or IRC 408(b) or to a qualified trust which is part of a defined contribution plan described in IRC 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Without limiting the foregoing, for taxable years beginning after December 31, 2006, such portion may also be transferred to any type of a qualified trust (whether or not a defined contribution plan) or to an annuity contract described in IRC 403(b), if such trust or contract provides for separate accounting for amounts so transferred (including earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Without limiting the foregoing, for distributions after December 31, 2007, such portion may also be transferred to a Roth individual retirement account as described in IRC 408A that provides for separate accounting for amounts so transferred (including earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

Notwithstanding the foregoing, effective July 1, 2010, a non-spouse beneficiary may elect to make a direct rollover to an inherited individual retirement account or annuity described in IRC 408(a) or IRC 408(b) that is established on behalf of the beneficiary. Such rollover shall be made in a manner consistent with IRC 402(c)(11) and any other applicable guidance.

### MILITARY DEATH BENEFITS

Policy 9.22 Effective for deaths occurring on or after January 1, 2007, in the case of a member who dies while performing qualified military service (as defined in section 414(u) of the Internal Revenue Code), the survivors of

the member are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the System had the member resumed and then terminated employment on account of death.