

4/22/92

City of Lansing Retirement Systems
Maximum Benefits Under Section 415
(April 22, 1992)

Background

Erisa Act

Section 415 of the Internal Revenue Code limits the annual straight life employer-financed retirement benefit to the lesser of:

- 1) An age-dependent dollar maximum, based on the year of retirement and the type of employment.
- 2) 100% of the average of the member's highest consecutive three calendar years earnings (W-2 amounts).

These limits apply to the City-administered plans whether or not the limits are explicitly included in the plan itself. The dollar maximums in effect for 1992 retirements from public pension plans are shown below:

1992 Tables

<u>Retirement Age</u>	<u>General Employees</u>	<u>Police & Fire</u>	<u>Retirement Age</u>	<u>General Employees</u>	<u>Police & Fire</u>
70	\$192,818	\$192,818	<i>1992</i> 55	\$ 75,000	\$ 75,000
69	171,810	171,810	54	69,429	69,429
68	153,671	153,671	53	64,368	64,368
67	137,934	137,934	52	59,761	62,345
66	124,220	124,220	51	55,558	62,345
65	112,221	112,221	50	51,717	62,345
64	112,221	112,221	49	48,199	62,345
63	112,221	112,221	48	44,971	62,345
62	112,221	112,221	47	42,004	62,345
61	102,485	102,485	46	39,273	62,345
60	93,811	93,811	45	36,755	62,345
59	86,058	86,058	44	34,429	62,345
58	79,107	79,107	43	32,278	62,345
57	75,000	75,000	42	30,286	62,345 <i>up 5%</i>
56	75,000	75,000	<i>1992</i> 41	28,439	62,345

Eligibility for the Police & Fire maximums requires 15 or more years of Police/Fire service.

A recent (August 20, 1991) IRS general information letter states that:

- 1) Pre-normal-retirement-age disability and pre-retirement death benefits are not subject to 415 limits.
- 2) Post-normal-retirement-age disability benefits are subject to 415 limits.
- 3) Post-retirement death benefits which are similar to "qualified joint and survivor annuities" are not subject to 415 limits. This would cover benefits paid to spouses under 50%-100% survivor options.
- 4) Member contributions under Section 414(h) "Employer Pickup" are treated as employer contributions.

62 5 3/10

