

**Policy for Purchase of Service in
The Firefighters' Retirement Plan of St. Louis**

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Policy for Purchase of Service in The Firefighters' Retirement Plan of St. Louis

The Firefighters' Retirement Plan of St. Louis ("FRP"), a qualified governmental defined benefit plan under Internal Revenue Code ("Code") § 401(a), allows members to purchase additional years of service credit pursuant to Missouri Statute 105.691.5. This policy sets forth the requirements and procedures for service purchases in order to comply with state and federal law.

I. Eligibility for Service Purchases

A. State Statute.

(1) A vested member in FRP must be permitted to purchase creditable service up to the actual number of years of credible service for any earned creditable service under another retirement system established and maintained by the state of Missouri or any political subdivision or instrumentality of Missouri for the purpose of providing plan benefits for elected or appointed public officials or employees. For the purpose of this paragraph, however, a vested member in FRP will only be permitted to purchase creditable service in FRP if the member was not vested in the other retirement system in which such creditable service was earned. See Missouri Statute 105.691.5.

(2) A vested member in FRP must be permitted to purchase creditable service for any nonfederal public employment in Missouri not covered by a retirement plan. For the purpose of this paragraph, however, a vested member in FRP will only be permitted to purchase creditable service in FRP up to the actual number of years of public service in such uncovered position. See Missouri Statute 105.691.7.

(3) FRP may enter into cooperative agreements to transfer credible service from a nonfederal public employment plan in Missouri to FRP without board approval so long as said agreement is in substantial conformity with Exhibit A under the conditions set forth therein. See Missouri Statute 105.691.2.

(4) Solely for the purpose of determining eligibility for transferring service credit, state law provides that all plans shall be deemed to have five-year vesting.

B. Eligibility Requirements. Members in FRP who are actively employed by the City of St. Louis Fire Department ("Department") and meet the criteria under state statute as specified in subsection A above may purchase creditable service under FRP. The purchase of prior service credit is permitted but not required under FRP. Such purchases will be allowed to the extent permitted by law, subject to any conditions, proofs, or acceptance that the FRP Board of Trustees ("Trustees") deem appropriate.

C. Application for Service Purchase. A member who meets the eligibility requirements specified in subsection B above and who wishes to purchase eligible service credit as described in subsection A above may apply for such purchase by completing and submitting to the Trustees an application form provided for that purpose. As a precondition for approval of

his or her application, a member will be responsible for providing the Trustees with any information or documentation that the Trustees deem necessary to establish that the member's service is eligible for purchase under subsection A above. Notwithstanding any provision herein to the contrary, no member may apply for or purchase service credit after his or her termination of employment with the Department.

D. Trustee Approval. Within thirty (30) days after receipt of a member's application to purchase service, FRP shall review the member's application and make a recommendation to the Trustees whether the application should be accepted. The Trustees shall consider FRP's recommendation at the next scheduled meeting of the Board of Trustees. Upon approval of an application by the Trustees, the Trustees will certify on the application the number of years and months of service that are eligible for purchase under paragraph A above.

II. Cost and Method of Service Purchase

A. Actuarial Study to Determine Cost of Purchase. Unless a member requests an actuarial cost study in advance of applying to purchase creditable service, an actuarial cost study will be undertaken by FRP's actuary as soon as reasonably practicable after receipt of a member's application to purchase eligible service pursuant to Section I.A in order to determine the cost of purchasing such service under FRP. The actuarial accrued liability relating to such eligible service will be determined by the FRP actuary using the actuarial assumptions and methods established for this purpose in the funding policy adopted by the Trustees. The member shall bear the cost of the actuarial cost study fee.

B. Payment for Service Purchase.

(1) Upon completion of the cost study, the Trustees will notify the member of the lump sum amount required to purchase prior service credit, as reflected in the cost study. Within two (2) years of receiving this notice or, if earlier, prior to the effective date of retirement benefit payments under FRP, the member must remit full payment, with interest compounded annually at the actuarially assumed interest rate under FRP, said payment to be made in the form and manner required by paragraph (2) below. If the member does not remit full payment within the prescribed time period, any partial payment made by the member will be refunded by FRP, and no creditable service will be allowable for such member under FRP as a result of the partial payment. See Missouri Statute 105.691.6.

(2) To the extent permitted by the Code and regulations issued thereunder, the lump sum amount referred to in paragraph (1) above may be paid via one or more of the following sources: (i) a direct trustee-to-trustee transfer from a 401(a) qualified retirement plan, a governmental 457(b) deferred compensation plan or a 403(b) tax sheltered annuity; (ii) a qualified rollover from a governmental 457(b) plan, 403(b) tax-sheltered annuity plan, 401(a) qualified plan, 403(a) annuity plan, or a 408(a) or 408(b) individual retirement account or annuity (traditional IRA); (iii) a lump sum contribution of after-tax funds, or (iv) after-tax payroll deductions. Members will be solely responsible for effecting the payment referred to herein.

(3) If the lump sum amount referred to in paragraph (1) is paid via any method other than as described under paragraph (2)(i) or (2)(ii) above, then the member will not be permitted to contribute to the FRP in any calendar year an amount which exceeds any applicable limit specified in Code § 415.

C. Return of Contributions. Contributions made to purchase service credit must be used to fund retirement and death benefits payable under the FRP relating to such credit. Contributions must not otherwise be refundable to the member or any other person, except in the event of partial payment as provided under subsection B(1) above, a violation of the limitations under Code § 415 as provided under Section III below, or as otherwise provided in the FRP in the event of termination of the FRP.

III. Limitations under Code Section 415

A. General Rule. A member who wishes to purchase service credit in FRP must make a contribution to FRP in accordance with this policy and in compliance with Code §§ 401(a) and 415. Notwithstanding any other provision of the FRP or this policy to the contrary, the Trustees will not accept and will return without interest any contribution or portion of a contribution made to purchase service credit if such contribution would result in a violation of the applicable limitations established under Code § 415(b), (c), or (n) or any other provision of law or the FRP, or if it is later determined that the member's prior service is not eligible for purchase, and any service credit attributable to said contribution or portion of a contribution will be forfeited.

B. Application of Limit.

(1) The Trustees may modify a request by a member to make an employee contribution for the purpose of purchasing service credit in FRP if the lump sum amount of the contribution would exceed the limits provided in Code § 415 by using the following methods:

(a) Subject to the prescribed time limit in Section II.B above, the Trustees may establish a periodic payment plan for the member to avoid a contribution in excess of the limits under Code § 415(c) or 415(n).

(b) If payment pursuant to paragraph (a) will not avoid a contribution in excess of the limits imposed by Code § 415(c), the Trustees may either reduce the employee contribution to an amount within the limits of that section or refuse the member's contribution.

(2) An employee contribution to purchase service credit is tested under the appropriate Code § 415 limit. If the service purchase meets the requirements of Code § 415(n), as summarized below, the purchase is subject to special, more generous, contribution limits under Code § 415(n). However, if the purchase does not meet the Code § 415(n) requirements (i.e., it is not a "permissive service credit") or is not subject to the transition rule of Code § 415(n) for "eligible participants," it is tested against the regular Code § 415(c) limit.

(3) For purposes of the Code § 415(n) test, a member must be employed by the Department at the time of purchase. For purposes of Code § 415(c) use, a member must have compensation from the Department for that plan year (in order to determine the percent of compensation limit), but does not have to be employed at the time of purchase.

C. Application of Code § 415(c). The FRP requires a member to pay the actuarial cost of the service purchase. The resulting increase in required contributions will be subject to Code § 415(c) testing, except as follows:

(1) Treas. Reg. § 1.415-6(b)(3) provides that the following types of contributions are not treated as employee contributions and thus are not "annual additions" subject to § 415(c) testing:

(a) Rollover contributions (as defined in Code §§ 402(c)(4), 403(a)(4), and 408(d)(3));

(b) Repayments of amounts described in Code §§ 411(a)(7)(B) (in accordance with section 411(a)(7)(C)) and 411(a)(3)(D) (see § 1.411(a)-7(d)(6)(iii)(B)); and

(c) Direct transfers of employee contributions from one qualified plan to another.

(2) A lump sum amount to purchase creditable service which is paid via any method described under Section II.B.(2)(i) or (ii) above is not subject to the Code § 415(c) limit.

D. Application of Code § 415(n).

(1) Code § 415(n) does not impose limits on rollovers or plan-to-plan transfers, and this section generally does not apply to any of these methods of purchasing service. However, plan-to-plan transfers from 403(b) and 457(b) plans must satisfy the definition of permissive service credit under Code § 415(n).

(2) For purposes of this subsection D, the following definitions apply:

(a) "Code § 415(n) limit" means a limitation structure for "permissive service credit" purchases, which allows Code § 415 to be satisfied if:

(i) The annual addition limit (\$53,000 for 2015) in Code § 415(c) is met, treating all permissive service credit as an annual addition; or

(ii) The annual benefit limit (\$210,000 for 2015) in Code § 415(b) is met, treating the accrued benefit derived from all permissive service credits as part of the member's annual benefit;

These limits can be applied on a member-by-member basis, whereby one member may satisfy the defined benefit limit, while another may satisfy the defined contribution limit.

(b) "Permissive service credit" means service credit that:

(i) is taken into account by the governmental plan for calculating a member's benefit;

(ii) the member does not already have credited under the plan;
and

(iii) the member can receive only by an additional voluntary contribution, in an amount determined by the governmental plan, which does not exceed the amount necessary to fund the benefit attributable to the service credit.

If the service credit meets these requirements, it is permissive service credit subject to the more favorable 415(n) limits. Service purchases under Missouri Statute 105.691.5 and 105.691.7 should qualify as permissive service credit.

(c) "Qualified service" means permissive service in the following categories:

(i) Service (including parental, medical, sabbatical, and similar leave) for the U.S. government, or any state or political subdivision thereof, or an agency or instrumentality of any of the foregoing;

(ii) Service (including parental, medical, sabbatical, and similar leave) for an educational organization which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12) as determined under state laws;

(iii) Service for an association representing employees of the U.S. government, or any state or political subdivision thereof, or an agency or instrumentality of any of the foregoing; and

(iv) Military service (non-USERRA covered) recognized by the governmental plan.

However, service under (i)-(iii) above will be nonqualified service if recognition of the service would cause the member to receive a retirement benefit for the same service under more than one plan.

(d) "Nonqualified service" means all permissive service except for qualified service.

(3) A service purchase will not meet the requirements of Code § 415(n) if:

(a) More than five (5) years of nonqualified service are taken into account (in the aggregate); or

(b) Any nonqualified service is taken into account before the employee has at least five (5) years of participation under the FRP.

Thus, a purchase of nonqualified service which does not meet these rules would have to be tested under the regular Code § 415(c) limit.

(4) Modified 415(c) Test. If applying the modified Code § 415(c) test under Code § 415(n), the permissive service credit is treated as an annual addition subject to the dollar limit, which is \$40,000 (as adjusted for cost-of-living increases; \$53,000 for 2015).

(5) Modified 415(b) Test. If applying the modified Code § 415(b) test under Code § 415(n), the permissive service credit is treated as part of the member's annual benefit. With regard to Code § 415(b) testing generally, governmental plans need only comply with the dollar limit in Code § 415(b)(1)(A), which is \$160,000 (as adjusted for cost-of-living increases; \$210,000 for 2015). The modified Code § 415(b) test will be applied as follows:

(a) Pursuant to Code § 415(b)(2)(C) and (G) and Treasury Regulation § 1.415(b)-1(d), for any member who is not a "qualified member," the dollar limit is lowered if the member retires before age 62. The reduction for retirement before age 62 is determined based on the actuarial differences of the ages indicated. A "qualified member" is an individual whose benefit at the time of retirement includes at least 15 years of service as a full-time employee of the Department or as a member of the Armed Forces of the United States.

(b) Pursuant to Code § 415(b)(2)(D) and Treasury Regulation § 1.415(b)-1(e), the dollar limit is raised if the member retires after age 65. The reduction for retirement after age 65 is determined based on the actuarial differences of the ages indicated.

(c) Pursuant to Code § 415(n)(2)(A), when applying the Code § 415(b) test to situations where the dollar limit is reduced for retirement before age 62, FRP will not fail to meet the reduced dollar limit solely because the accrued benefit derived from the purchase of service credit is included in the Code § 415(b) test.

(d) In a situation where the age-reduced dollar limit is being applied, the accrued benefit derived from the purchase of service credit will be excluded from testing against the age-reduced dollar limit (i.e., only the employer-provided portion of the benefit must meet the age-reduced dollar limit). Thus, where the employer-provided portion of an accrued benefit, without the accrued benefit derived from a service credit purchase, is less than the age-reduced Code § 415(b) dollar limit, the modified Code § 415(b) test would be met, even if the addition of the accrued benefit from the service purchase makes the total accrued benefit greater than the age-reduced dollar limit.

(e) The benefit derived from the purchase of service credit combined with the employer-provided portion of the benefit must meet the unreduced Code § 415(b) limit. Thus, if the employer-provided portion of an accrued benefit, without the accrued benefit derived from a service purchase, is greater than the age-reduced dollar limit, the Code § 415(b) test would not be met, because Code § 415(n) does not exempt the employer portion of the accrued benefit from the age-reduced dollar limit. Further, if the employer-provided portion of an accrued benefit plus the accrued benefit from a service purchase is greater than the non-reduced 415(b) dollar limit, the benefit would not satisfy the Code § 415(b) test, as Code § 415(n) does not exempt testing the total benefit against the non-reduced dollar limit.