



COLLIN COUNTY

Human Resources
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DATE: April 8, 2022

TO: Commissioners' Court

FROM: Cynthia Jacobson, Director Human Resources

RE: Texas County and District Retirement System (TCDRS) Agreement for the Adoption of the Qualified Replacement Benefit Arrangement

Section 415 of the Internal Revenue Code (IRC) provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Secretary of the Treasury annually adjust these limits for cost-of-living increases. This section sets a limit on the total amount of annual benefit payments an individual employee can receive from TCDRS. In 2022, the annual benefit limit is \$245,000 for employees age 62 or older. The limit is lower for younger retirees.

If any retirees are eligible to receive an annual benefit amount higher than is allowable by IRC 415 in retirement, TCDRS will only be able to issue their benefit payments until they reach that limit. For a retiree to receive their full benefit payments above the IRC 415 set limit, the payment must be paid to the retiree directly through Collin County by adopting a qualified benefit replacement arrangement with TCDRS. Under the qualified benefit replacement arrangement, an affected retiree would receive their full benefit payments as usual until the month they reach the annual 415 limit. From that month forward until the end of the year, TCDRS would credit Collin County's monthly contributions by the amount that would have been paid to the retiree, and Collin County would pay the retiree directly.

It is my recommendation that the qualified benefit replacement arrangement through TCDRS be adopted to be proactive against limiting a retiree's payment if they reach the IRC 415 limit. Adopting the arrangement with TCDRS will make it effective for the 2021 plan year and for future plan years unless terminated.