

Memorandum

<i>Meeting Date</i> 06/26/13 <i>Agenda Item</i> #6

Date: June 19, 2012
To: Board of Retirement
From: Karen Levy, General Counsel
Subject: Update On Application for Internal Revenue Service Letter of Determination

Recommendation:

Receive and file.

Background:

A "Letter of Determination" is a favorable ruling from the Internal Revenue Service stating that the terms of the retirement plan comply with applicable provisions of the Internal Revenue Code and IRS rules. It means that the retirement plan is "tax-qualified" under the Internal Revenue Code and IRS rules, and plan participants will not be taxed when contributions are made to the plan, but rather upon receipt of benefits at retirement. CCCERA had previously applied for, and received, a favorable Letter of Determination from the IRS in 1987.

Current Status:

CCCERA filed an application with the IRS for a letter of determination within Cycle E, which ended on January 31, 2011. The application was made after the Board adopted changes and compliance policies, as recommended by tax counsel. Included with the application was a Voluntary Compliance Program ("VCP") application, whereby certain plan amendments and corrections were raised. CCCERA received in February 2011 the first ruling from the IRS, regarding the VCP portion of the application. The ruling provides that the plan amendments will be treated as if they were adopted timely. The IRS advised in 2011 that the application would now be transferred to the group in charge of handling the determination letter portion of the application. No time horizons were provided for the next steps in the process. Tax counsel has contacted the IRS periodically, and has been advised that the IRS is hoping to make progress on CCCERA's application, as well as the applications filed by other '37 Act systems. The IRS has recently determined to allow governmental plans to file the next application for a Letter of Determination in Cycle E, from February 1, 2015 to Jan. 31, 2016 (instead of Cycle C, which would have required filing applications by Jan. 31, 2014).



CONTRA COSTA COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1355 Willow Way, Suite 221, Concord, CA 94520-5728
Telephone: (925) 521-3960, Fax: (925) 646-5747