



California Public Employees' Retirement System
External Affairs Branch • Office of Public Affairs
(916) 795-3991 phone • (916) 795-3507 fax
www.calpers.ca.gov

FACT SHEET: PEACE OFFICERS & FIREFIGHTERS SUPPLEMENTAL PLAN

IMPORTANT UPDATE (OCTOBER 15, 2014):

CalPERS has received notification from the IRS that allows for termination of the POFF Plan and distribution of funds. CalPERS has established an effective date of December 1, 2014 for distribution of funds to begin based on an election provided by the POFF account participants. All participants in the POFF plan will be receiving a POFF termination brochure outlining the distribution options as well as the process for requesting distribution. All federal and State distribution guidelines must be met in order to receive a distribution. Participants that do not request a distribution during the distribution period will be rolled into the Supplemental Contributions Plan where participant accounts will be established in accordance with State Statute SB 277. Participants should confirm that CalPERS has their current mailing address to ensure timely receipt of the POFF Plan termination brochure and distribution information.

AT A GLANCE (AS OF SEPTEMBER 30, 2014)

33,255 Participants

\$496 Million in total assets

BACKGROUND

Senate Bill 277 (SB 277) was authored by Senator Jim Beall at the request of California Correctional Peace Officers Association (CCPOA). The bill allowed for the termination of the Peace Officers & Firefighters Supplemental Plan (POFF) and distribution of all funds. The bill was passed by the Legislature on unanimous bipartisan votes and signed by the Governor on October 13, 2013 (Chapter 755, Stats. 2013).

Assembly Bill 611 (AB 611) was authored by Assembly Member Rob Bonta at the request of California Correctional Peace Officers Association (CCPOA). The bill provided statutory updates requested by the IRS. The bill was passed by the Legislature and signed by the Governor on September 29, 2014 (Chapter 790, Stats. 2014).

HOW IT WORKS

First, and most important, the bill signed into law does not immediately allow POFF participants to withdraw their money from POFF accounts, other than as currently allowed after permanent separation from State employment.

There are two letters of determination required by the IRS. The first is a Letter of Determination that recognizes the POFF Plan as a Qualified Retirement Plan and the second authorizes CalPERS to

terminate the POFF Plan. CalPERS received the first letter of Plan Determination and is submitting a request to the IRS for a Letter of Determination for Plan Termination.

SB 277 requires the POFF plan to be terminated, but only after the Internal Revenue Service (IRS) approves the Plan for termination. While CalPERS is working with the IRS to receive the plan termination approval, the timeframe for response by the IRS is unknown. We have been informed that it could take nine months to one year for the IRS to issue a Letter of Determination for Plan Termination.

Until the IRS approves the POFF plan termination, the distribution rules for the POFF do not change; no in-service distributions are allowed.

When and if the IRS approves of the POFF plan termination, CalPERS will start the process for final termination of the plan and distribution of the money in the accounts.

Termination of the POFF will be a process. CalPERS, along with our Record Keeper and Plan Administrator, Voya, will be communicating with members with POFF accounts.

When the time comes for plan termination, POFF participants will be informed of:

1. The timeframes during which they can withdraw their POFF account money
2. The process and paperwork necessary to withdraw or transfer their money
3. The options for withdrawal and distribution:

	Distribution Options	Tax Consequences
A	Let CalPERS automatically transfer your money to the CalPERS SCP POFF Rollover account. <i>*The California State Legislature has designated the CalPERS Supplemental Contribution Plan (SCP) as the default option for those participants or beneficiaries who take no action and do not make a distribution election regarding their POFF account balance prior to the plan termination.</i>	The amount rolled over is not taxed until it is paid to you or your beneficiary.
B	Initiate a rollover of your account balance to another Qualified Plan (other than the CalPERS SCP POFF Rollover Plan) prior to plan termination. <i>*You must meet the requirements of the</i>	None if completed as a direct Plan to Plan transfer. To the extent that you request a direct (i.e., plan-to-plan) rollover, the rolled over amount is not taxed until it is paid to you or your beneficiary.

	<i>plan you are transferring into. It is suggested that you contact the transferee plan at your earliest convenience.</i>	
C	Request a full cash distribution of your account balance.	<p>**20% Federal and 2% CA mandatory tax withholding will apply to your distribution.</p> <p>State and Federal Income taxes will be due in the year the cash distribution is taken. In addition to withholding income taxes, distributions received prior to age 59½ may be subject to an early withdrawal penalty, as imposed by the IRS (10%) and the California Franchise Tax Board (2.5%).</p>

*****CalPERS cannot provide specific information or tax advice. Please contact your tax consultant, the Internal Revenue Service or the State Franchise Tax Board if needed. For specific information concerning rollovers, consult the appropriate financial institution of your choice.***

SUMMARY

This process will take an unknown length of time and is reliant on plan termination approval from the IRS.

The IRS must approve the termination, and nothing in the distribution rules change until they do.

POFF participants will be sent letters and information about what to do and when to do it, once the IRS approves and CalPERS starts the formal termination process.

This legislation was sponsored by CCPOA, and CalPERS will work with the union to keep POFF participants up-to-date about any changes in the termination process and when the distribution and withdrawal process will start.

For questions about why the plan is proposed for termination, please contact the CCPOA.

For questions about the current status of the POFF termination, please contact the POFF Participant Line, 888-600-POFF (7633) or visit the POFF Participant website <https://poffsup.voyaplans.com>.