

The LEOFF 1 Surplus belongs to LEOFF 1 Members and Beneficiaries.

TAXES AND FEES

415-02-756 - How does the department comply with Internal Revenue Code exclusive benefit rules?

Universal Citation: [WA Admin Code 415-02-756](#)

415-02-756. How does the department comply with Internal Revenue Code exclusive benefit rules? No assets of the retirement system may be used for or diverted to a purpose other than the exclusive benefit of the members and their beneficiaries at any time prior to the satisfaction of all liabilities with respect to members and their beneficiaries.

Statutory Authority: RCW 41.50.050(5). 10-24-099, §415-02-756, filed 12/1/10, effective 1/1/11.

Exclusive Benefit Rule

Exclusive Benefit Rule One of the threshold rules in the qualified plan world is the "exclusive benefit" rule. This rule dictates that plan assets cannot be used other than to pay benefits to members and beneficiaries and to pay reasonable administrative expenses. In this regard, Code § 401(a)(2) requires that for a plan to be qualified, it must be "impossible, at any time prior to the satisfaction of all liabilities with respect to employees and their beneficiaries under the trust, for any part of the corpus or income to be . . . used for, or diverted to, purposes other than for the exclusive benefit of the employees or their beneficiaries . . ." See also Treas. Reg. § 1.401-2(a). Accordingly, the IRS has held that "funds accumulated under a qualified plan in trust are intended primarily for distribution to employee participants." Rev. Rul. 72-240, 1972-1 C.B. 108. This exclusive benefit requirement applies to all qualified pension plans, including governmental plans, and, therefore, must be considered in any plan merger. It is important to note that the exclusive benefit rule is incorporated into each of the Plans at WAC 415-02-756.

RCW 41.26.053,

WAC 415-02-756

How does the department comply with Internal Revenue Code exclusive benefit rules?

No assets of the retirement system may be used for or diverted to a purpose other than the exclusive benefit of the members and their beneficiaries at any time prior to the satisfaction of all liabilities with respect to members and their beneficiaries.

[Statutory Authority: RCW [41.50.050\(5\)](#). WSR 10-24-099, § 415-02-756, filed 12/1/10, effective 1/1/11.]