

For Plan Participants

FAQ: Changes in the Required Minimum Distribution (RMD) Rules for 2009

What is the change?

A new law, the Worker, Retiree and Employer Recovery Act of 2008, suspends the minimum distribution requirements applicable to employer sponsored retirement plans (401(k), 401(a), 457, 403(b), IRAs) for the 2009 tax year. As a result of this change, participants over the age of 70½ who would typically need to receive a required minimum distribution (RMD) for 2009 are not required to take payment from their accounts during 2009.

How will this new law affect the RMD requirement for my ICMA-RC 457/401 plan(s) and/or IRA account(s)?

If you are over age 70½, you will not need to receive an RMD payment for 2009. However, RMDs for 2008 are still required, and participants who attained age 70½ in 2008 (or older if they separated from service during the year) must still have their RMD paid prior to April 1, 2009. These participants will not be required to take their 2009 RMD.

Participants who attain age 70½ during 2009 (or older if they separate from service during the year) will not be subject to minimum distribution requirements for 2009. Their first RMD payment, for the 2010 tax year, will need to be paid prior to December 31, 2010.

How do participants and beneficiaries suspend payments from their accounts if they do not want to receive payments in 2009?

ICMA-RC is sending letters to participants and beneficiaries informing them of the option to suspend payments from their accounts. Participants and beneficiaries can follow the instructions provided on the letter to suspend payments or complete the *Payment Schedule Postpone or Stop Form* contained in the Payment Schedule Change Form Packet available online at www.icmarc.org/forms. For more information, you can call ICMA-RC Investor Services at 1-800-669-7400.

How does the law impact payments to beneficiaries?

2009 will not count towards the “five-year” period that certain beneficiaries have to withdraw funds from their account, essentially giving these beneficiaries a 6th year to withdraw the funds.

For example, if the participant died in 2006, prior to his or her required beginning date, the end of the 5-year period is extended under the RMD relief from December 31, 2011, to December 31, 2012.

How do the new rules impact rollover distributions?

RMD amounts are not eligible for a rollover distribution. However, with the minimum distribution requirements being suspended for 2009, amounts that would typically be included in a participant’s RMD for the year *are* eligible for a rollover to another eligible retirement plan.

Why did Congress take this action?

Required Minimum Distributions (RMDs) are minimum amounts that retirement plan participants must withdraw annually beginning with the year that they reach age 70½, or separate from service if later. The suspension of RMD is intended to allow participants to postpone selling their investments and realizing losses in their retirement accounts as a result of lower market values during an unprecedented economic downturn.

