

## **REQUIRED MINIMUM DISTRIBUTIONS**

**The following articles have been prepared by ICMA-RC and are offered to assist you with understanding what Required Minimum Distributions (RMD) are and how RMD's are processed.**

### **Do I need to begin taking withdrawals from my 457 plan at a certain age? If so, when and how much?**

You are required to withdraw at least a minimum amount from your 457 plan every year after you reach age 70½ or separate from service, whichever is later. The required minimum distribution (RMD) is typically due by December 31 each year, but your first RMD payment can be deferred until the following year, provided that it is paid to you by April 1. However, if you defer your first RMD payment, you will then receive two RMD payments the following year, resulting in increased taxable income. Note that if you're still working at age 70½, you don't need to take withdrawals from your current employer's 457 until you retire. (However, you will still be required to take RMDs from any traditional IRAs that you have, even if you remain employed.)

Each year's RMD is based on the balance in your account at the end of the previous year divided by the IRS's life expectancy factor for your current age. ICMA-RC performs the calculation for you and makes every attempt to ensure that you satisfy the RMD rules every year. (Life expectancy tables can be found online.)

You can request that ICMA-RC distribute your RMD to you according to the schedule you choose (e.g., monthly, quarterly, annual payments). If you already withdrew some money earlier in the year but haven't quite reached your RMD by year-end, ICMA-RC will automatically distribute the difference between the RMD and the amount you already took out, so you won't be penalized for withdrawing too little. The penalty for not taking your RMD is steep: You're subject to a 50 percent penalty of the amount you should have withdrawn but didn't.

# Retirement Account RMDs

Beginning in the year you reach age 70½ you must take withdrawals, or required minimum distributions (RMDs), from your retirement accounts or be subject to a 50% penalty tax. Exceptions generally include:

- Roth IRAs\*
- Your very first RMD, which you can delay until April 1 of the following year, but which would require you to take two RMDs that year
- Retirement plans sponsored by your current employer, for which RMDs can be delayed until the year you separate from service

RMDs are taxable, except to the extent they represent after-tax or non-deductible contributions, and cannot be rolled over to another retirement account.

**Understanding and planning for RMDs can help you manage a key retirement expense.**

## RMDs and Your ICMA-RC Retirement Accounts

### Step 1 - We Notify You Each Year

Your RMD is calculated and must be withdrawn separately for each of your 401 or 457 plan accounts. If you are a participant over age 70 and we have been notified by your employer that you have separated from service, you will automatically receive a letter from us each year notifying you about your RMD amount and options. For IRA accounts, other than Roth IRAs, you will receive a notification automatically.

### Step 2- Receiving Your RMDs

You can withdraw your entire RMD in one payment, take partial payments throughout the year or periodic installment payments, or any combination of the above. You can always withdraw more than the RMD amount during the year, but not less.

To request a withdrawal online, if your employer has made it available, [log in](#) to your account and select "Withdraw Funds" from the left-hand menu. If online withdrawals are not available, you may complete and send via fax or mail a Withdrawal Form:

- select the "Resources" tab
- select the "View/Request Forms" menu option
- click the (+) beside the "Roll/Disburse" category to view/print the appropriate documents.

You may also obtain a Form or get further assistance by selecting the "Contact Us" option from any page within Account Access or by calling us at 800-669-7400.

### **Step 3 - Receiving Your RMDs in the Absence of a Withdrawal Form**

If you do not submit a withdrawal form, we will automatically disburse the appropriate RMD payment to you in the form of a lump-sum check payment. We do this to help you avoid the penalty tax for failing to withdraw the appropriate RMD payment.

When your RMD is automatically disbursed, you cannot adjust your tax withholding or have the payment deposited directly into your bank account.

We do not automatically distribute IRA assets since IRS rules allow individuals who have more than one IRA account to withdraw their total IRA-associated RMD from just one account.

*\* Exception: Roth IRA assets in Inherited IRA accounts*

*REQUIREMENT: You are required to take RMD's from Anaheim's 457 Plan as it pertains to after-tax Roth contributions provided you have separated from employment.*

*For those still working beyond age 70 1/2, you are eligible to take distributions from either pre-tax or after-tax Roth contributions while you are still working, but you are not required to.*

## **Retirement Planning: RMD Compliance**

Required Minimum Distributions (RMDs) are due by year end. To help your employees and retirees stay in compliance with this IRS requirement for withdrawals and avoid penalties, ICMA-RC provides an array of services, resources, and support.

### **Automatic Distributions**

For retirees in 401 and 457 plans, we automatically disburse the calculated RMD amount on a lump-sum basis by year end, as long as we have date of birth and date of separation information on file. Retirees who want to meet RMD requirements through installment payments or request income tax withholding on their withdrawals can manage this process online or by completing a withdrawal form.

### **RMD Calculations**

For employees age 70½ or over with traditional IRAs, we calculate the RMD amount for them annually and provide the information to them so they can take their RMDs from one or more of their IRA accounts.

### **Educational Resources and Support**

In addition to the services described above, we assist your employees and retirees throughout the RMD process with these educational resources and support:

- [RealizeRetirement<sup>SM</sup>](#) — Our online educational resource provides an overview of IRS requirements as well as answers to frequently-asked questions about RMDs.

- [RMD Checklist](#) — We've developed this checklist to help participants understand and manage their RMDs. It also contains strategies to help participants minimize RMDs.
- [Quarterly News](#) — Our Retiree Corner article in the fall 2014 participant newsletter educates readers about how RMDs work and points them to the checklist for guidance.
- ICMA-RC Retirement Plans Specialists and Investor Services — Our local and call center representatives are available to discuss RMDs with participants and guide them through the process.

## **Plan Administration Made Easy: Required Minimum Distributions**

- Each year, ICMA-RC monitors your participants' accounts to ensure compliance with the Internal Revenue Service regulations related to Required Minimum Distributions (RMDs).
- **RMD Timing**
- Participants who are over age 70½ and no longer employed must withdraw a minimum amount from their retirement plans each year, typically by Dec. 31. The first year a participant is subject to the RMD, the amount must be withdrawn prior to April 1 of the following year. For example, a participant who separated from service in 2011 and turned 70½ in 2012 is required to withdraw his RMD for 2012 before April 1, 2013. However, his RMD for 2013 and each year thereafter must then be withdrawn by Dec. 31.
- **RMD Calculation**
- The RMD amount for the year is calculated by dividing a participant's account balance as of Dec. 31 of the previous year by a factor on an IRS life expectancy table. Participants with multiple 457 and 401 accounts must receive a separate RMD from each account, and any portion of the RMD not withdrawn is subject to a 50 percent federal excise tax.
- ICMA-RC calculates the RMD amount for participants over age 70½, provided that we have been notified of their separation from service with the plan sponsor (participants who are still employed with the plan sponsor after age 70½ are not required to withdraw funds from their accounts). Promptly notifying ICMA-RC of your participants' separation from service will help to ensure they receive their RMDs within the required time frame.
- We review accounts annually to ensure participants are satisfying the RMD and send notification letters to those who are not scheduled to withdraw the RMD amount within the required time frame. If needed, ICMA-RC will automatically distribute funds to participants to satisfy the RMD.

## **Year-End RMD Procedures for IRAs vs. 457s**

*What are the procedures for taking required minimum distributions from ICMA-RC 457s and IRAs after age 70½? What automatically happens with each type of account?*

First, let's deal with RMDs from 457 plans. ICMA-RC calculates the required minimum distribution (RMD) amount for participants over age 70½, provided that we have been notified of their separation from service with the plan sponsor (participants who are still employed with the plan sponsor after age 70½ are not required to withdraw funds from their accounts). We review accounts annually to ensure participants are satisfying the RMD and send notification letters to those who are not scheduled to withdraw the RMD amount within the required timeframe. If needed, ICMA-RC will automatically distribute funds to participants to satisfy the RMD.

*Is there anything a participant needs to specify before receiving the payouts?*

No. However, participants have the ability to specify how they would like their RMD amounts to be paid. They can request installment payments be paid throughout the year or take a payment in a lump sum prior to the Dec. 31 deadline. Distributions are withdrawn proportionately from the investments in a participant's account unless he or she submits a "depletion order" to have the withdrawals taken in a specific order from the investments in the account.

*How are RMDs handled for traditional IRAs?*

The RMDs are not automatically distributed from traditional IRAs. Participants receive two letters - one in January and one in October - to let them know there is an RMD to satisfy and the amount of the RMD for the ICMA-RC account, along with a form for the participant to complete to satisfy their RMD. The distributions are not made automatically because participants may have multiple traditional IRAs and can choose to satisfy their RMD with another IRA they may have with another custodian (457 RMDs, on the other hand, must be made from each account).