

Required Minimum Distributions (RMD)



The PERSI Base Plan and the PERSI Choice 401 (k) Plan are both qualified plans under the Internal Revenue Code. The PERSI Base Plan is a mandatory defined benefit plan, while the PERSI Choice 401(k) Plan is a voluntary defined

contribution plan. Being “qualified plans” is what allows employee contributions to be made on a tax-deferred basis. As qualified plans, the Base and Choice Plans are subject to certain requirements of IRS Code. One such requirement is the Required Minimum Distribution (RMD). The RMD rules require you to withdraw a certain amount of money once you reach a certain age if you are no longer working for a PERSI employer. *Failure to take RMD payments may result in substantial IRS penalty.*

Generally, the first RMD must be taken by April 1st following the calendar year you turn 70½ or the year you terminate employment, whichever comes later. In subsequent years, the RMD deadline is December 31st.

How RMD Rules Apply to the PERSI Base Plan

- Under PERSI statutes, vested members are required to begin taking distribution of their Base Plan funds when they reach service retirement age or separate from service with a PERSI employer, whichever comes later. This requirement under the PERSI rules generally satisfies any RMD requirements that would otherwise be applicable.
- Non-vested, inactive members who are age 70½ are subject to RMD rules. According to the IRS, if you have multiple retirement accounts you must calculate the RMD amount for each, but you do not have to take the RMD from each. You can add the separate RMD amounts and take the total distribution from just one account. Since PERSI cannot distribute partial payment amounts, you must either take the distribution of the entire Base Plan balance or satisfy the RMD requirements by taking the distribution from another retirement account.

How RMD Rules Apply to the Choice 401(k) Plan

- If you are an inactive member age 70½ or older you will be notified by the Choice Plan’s record keeper, when you are obliged to take an RMD. This correspondence is sent in early November and explains the particulars affecting your account. Any required payments are processed and mailed to you the latter part of December.
- Your first RMD payment can be deferred until April 1st of the following year. Members who elect to defer their first payment will receive two RMD payments the following year (one in March prior to the April 1st deadline and one in December prior to the December 31st deadline).
- The RMD amount is calculated by the Plan’s record keeper. The formula uses the prior year-end balance divided by the factor in the IRS life expectancy table less any payments received that calendar year.
- For 401(k) plans, IRS rules require the RMD calculation be applied to each individual 401(k) account. In other words, RMD payments you receive from other retirement plans are not factored into the RMD amount for the Choice Plan.
- While you may withdraw an amount greater than the RMD calculation, you cannot withdraw any less than that.

RMD Calculator

An RMD calculator is available at www.MyMoney.gov.

For more information about RMD rules, please refer to the IRS website at www.irs.gov; basic information is provided in IRS Publication 4141 (www.irs.gov/pub/irs-pdf/). You may want to consult with your financial planner especially if you have several retirement plans and/or IRA accounts.

If there is any discrepancy between this document and the law, the provisions of the law will prevail.