

Qualified Plan News

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Helpful Web Links

Department of Labor
www.dol.gov/

Taking the Mystery Out of
Retirement Planning
www.dol.gov/ebsa/publications/nearretirement.html

Internal Revenue Service
www.irs.gov/

IRS Releases FAQs on RMD Waiver for 2009

QPN Highlights

- **Action Required:** Clients should be made aware of these important clarifications.
- The Worker, Retiree and Employer Recovery Act (WRERA), signed December 23, 2008, provided for a waiver of required minimum distributions (RMDs) for the 2009 calendar year (see QPN 2008-19 on the ING Sponsor Website).
- The waiver applies to defined contribution plans including 401(k), 401(a), 403(b), 457(b) plans and IRAs.
- IRS Notice 2009-9 confirmed that the 2008 RMD is not waived and must be taken.
- The Internal Revenue Service (IRS) has now provided clarification on the waiver of the 2009 RMDs in the form of additional FAQs.

On August 18, 2009 the IRS released four new entries to their website under Retirement Plans FAQs regarding Required Minimum Distributions. These FAQs provide clarification on the following points:

First RMD is 2008 - A participant who turned 70 ½ in 2008 and intended to take his or her first RMD by April 1, 2009,

is required to take that RMD. This is the RMD for the 2008 calendar year, which was not waived. Failure to take the 2008 RMD by April 1, 2009 may result in a 50% excise tax, to the participant, on the amount not taken.

First RMD is 2009 - Participants who turn 70 ½ in 2009 are not required to take that first RMD by April 1, 2010, because RMDs for 2009 are waived. The second scheduled RMD for these participants will be for the 2010 calendar year which must be taken by December 31, 2010,

Rollover of 2009 RMD Amount to an IRA - A participant may choose to take a distribution of the amount that would otherwise be the 2009 RMD, but for the waiver. That amount may be rolled over to an IRA if it is an eligible rollover distribution and satisfies the rollover rules and all other exceptions (e.g., distributions from a designated Roth account can only be rolled over to a Roth IRA). See IRS Publication 590 for additional information about IRAs <http://www.irs.gov/pub/irs-df/p590.pdf>.

RMD not Waived for Defined Benefit Plans - The waiver of the 2009 RMD does not apply to defined benefit plans with one rare exception. If the defined benefit plan provides a benefit partially based on the balance of a participant's



separate account as, described under Internal Revenue Code Section 414(k), the 2009 RMD waiver does apply.

The new FAQs and all other RMD FAQs are available on the IRS website at <http://www.irs.gov/retirement/article/0,,id=96989,00.html#13> .

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