

Required Minimum Distributions

(For Non-Vested Inactive Members and Individuals Who Have Lost TRS Membership Rights)



Internal Revenue Service (IRS) regulations dictate how long participants may defer receipt of tax-deferred funds in Section 401(a) Plans such as TRS' Qualified Pension Plan (QPP) and Section 403(b) Plans such as TRS' Tax-Deferred Annuity (TDA) Program. These regulations also establish the minimum amount that participants eventually must receive each year; this amount is generally known as the Required Minimum Distribution (RMD). Please note that the RMD information provided in this brochure applies *only* to non-vested inactive members and individuals who have lost their TRS membership rights. (Different rules apply to retired and vested members.)

Each year, TRS sends separate QPP and TDA packets to individuals who are subject to distribution requirements for the year; this brochure is included in the packets. Also included in each packet is a notification letter that indicates your calculated RMD, an RMD Election Form, and the applicable Withdrawal and Rollover Applications. (If you do not have a TDA account with TRS, you would receive only a QPP packet.)

Distribution Requirements

QPP:

RMD rules require that distribution of QPP accumulations begin as of the year in which you reach age 70½.

TDA:

RMD rules require that distribution of some TDA funds begin as of the year in which you reach age 70½, but the IRS applies different distribution requirements to Pre-1987 and Post-1986 funds. (Pre-1987 funds are all TDA contributions and earnings accumulated as of December 31, 1986. Post-1986 funds are all TDA contributions and earnings accumulated after December 31, 1986, including earnings on Pre-1987 funds.)

Post-1986 Funds

Distribution of Post-1986 funds must begin as of the year in which you reach age 70½. Your Post-1986 TDA balance is determined by subtracting your Pre-1987 balance from your total TDA balance as of December 31 of the previous year.

Pre-1987 Funds

The IRS allows the balance of your Pre-1987 funds to be "grandfathered" (*i.e.*, exempt from distribution requirements) until the year in which you reach age 75. Then, distribution based on the total TDA balance (both Post-1986 and Pre-1987 funds) must begin.

Subsequent Year Distribution Option

If this is the first year that you are subject to the RMD rules, you may elect to receive your distribution as late as April 1 of the following year. This “subsequent year” distribution option is available only for the first RMD; all future RMDs must be received by December 31 of each year.

Note: If you elect the “subsequent year” option, two distributions would normally be required in that calendar year: the first, representing the previous year’s distribution, by April 1; and the second, representing the current year’s distribution, by December 31.

RMD Calculation

Your annual required distribution amounts for a given year are determined by applying an actuarial factor from an IRS life-expectancy table to your balance in each TRS account as of the previous December 31. The actuarial factors used to calculate your RMDs will change every year, as will the amount of your required distributions. If your spouse is more than 10 years younger than you, and is your sole primary beneficiary, your spouse’s date of birth will be factored into calculating the amount of your RMDs. In addition, please note the following regarding RMD calculations.

QPP:

The following are excluded from the amount subject to distribution: QPP contributions that have already been taxed; payments made to purchase optional service credit; lump-sum payments made to satisfy membership service deficits; and outstanding QPP loan balances as of the preceding December 31.

TDA:

Any TDA loan balances outstanding as of the preceding December 31 would be included in the amount subject to distribution. Please also note that any “subsequent year” TDA distributions are subtracted from the previous year’s December 31 balance.

Distribution Options

To meet IRS distribution requirements for a given year, you may choose one of the following options on the

RMD Election Form. TRS must receive your completed election forms by the last business day in October. Otherwise, TRS would issue your RMD payment(s) by default.

1) Receiving payments from TRS in the amount of your RMDs:

You may elect that TRS issue you payments from your QPP and TDA accounts equaling your respective RMD amounts on a designated month during the current year (or as late as March, if you are eligible for a “subsequent year” distribution).

Note: If you have lost your TRS membership rights, TRS will no longer maintain your QPP and TDA accounts. Therefore, at least 60 days after the checks for your RMD payments from TRS have been cashed, TRS will send you separate checks in the amount of your remaining QPP balance and remaining TDA account balance (if you have not already requested a total withdrawal of your accounts).

For former and current Tiers I/II members receiving an RMD from their QPP account and all TDA participants receiving an RMD from their TDA account: If you receive an RMD from TRS, whether by election or default, your RMD would be deducted from any funds in the Fixed Return Fund first (until depleted), and then from any funds in the variable-return Passport Funds, in proportion to their balances. If you are an inactive member, any RMD made from the variable-return Passport Funds would be based on the unit values for the month prior to the distribution date (e.g., distributions made on the last business day of December would be based on November’s unit values). If you have lost your TRS membership rights, any RMD made from the variable-return Passport Funds would be based on the unit values for the month prior to the date you lost your membership rights (e.g., if you lost your membership rights in June, distributions would be based on May’s unit values).

2) Receiving withdrawals of all of your QPP accumulations and TDA funds from TRS:

You may make total withdrawals of your QPP accumulations and TDA funds to satisfy the respective IRS requirements for the year. You must receive the withdrawals during the same year (or by April 1, if

you are eligible for “subsequent year” distributions). You would need to file the applicable Withdrawal Applications, in addition to the RMD Election Forms, to initiate the distributions. You may roll over your QPP accumulations and TDA funds to eligible successor programs by filing the applicable Rollover Applications; however, the amounts representing your RMD for the current year may not be rolled over or transferred. You must file all applicable forms by the last business day in October.

3) Receiving payments from a Section 401(a) Plan and Section 403(b) Plan not administered by TRS:

If you elect to receive payments from a different Section 401(a) Plan (to meet QPP distribution requirements) and a different Section 403(b) Plan (to meet TDA distribution requirements), you accept full responsibility for meeting your RMD requirements for the current year. TRS would have no further responsibility for the distribution of your RMDs for the current year. This means that you must initiate the distributions from those other accounts **and** you must also satisfy any distribution requirements that the other plans may have.

Note: If you have lost your TRS membership rights, TRS will no longer maintain your QPP and TDA accounts. Therefore, at least 60 days after TRS receives your election forms indicating the above option, TRS will send you separate checks in the amount of your remaining QPP balance and remaining TDA account balance (if you have not already requested a total withdrawal of your accounts).

Tax Considerations

The IRS imposes a 50% excise tax on any amounts that are required to be distributed for a given year but are not. **Therefore, it is imperative that the amount of your RMD be distributed to you each year.** This is important to remember if you elect a distribution option that requires you to initiate the distribution.

All RMD amounts are taxable in the year in which they are distributed. Distributions for a given year that are made by April 1 of the following year are taxable in that following year, even though they represent the preceding year’s RMD.

If you elect to receive an RMD payment from TRS, you may designate the percentage of federal withholding to be applied to your RMD. **If you do not make an election, 10% withholding would be applied automatically to your RMD payment.** You may claim any amounts withheld as tax paid on your federal income tax return for the year of distribution.

RMD amounts may not be rolled over or transferred; as a result, the 20% withholding that is normally applied to QPP and TDA withdrawals is not applied to RMD payments. However, for total withdrawals that are used to meet RMD requirements, 20% withholding will be applied to the amounts distributed in excess of the RMD, unless those excess amounts are directly rolled over or directly transferred. (You may claim the amount withheld as tax paid on your federal income tax return for the year of distribution.)

For your convenience, TRS forms and publications are available on our website.
If you require additional assistance, we encourage you to contact our Member Services Center at 1 (888) 8-NYC-TRS.

This publication should not be solely relied upon, as it is based on currently available information that is subject to change. TRS suggests that you consult with an attorney and/or a tax advisor if you have any specific legal or tax questions concerning this information. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.



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