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News & Notes

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Approaching age 70? Here's what you need to know about RMDs...

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Required Minimum Distributions, also referred to as RMDs, are the *minimum* amounts that the Federal Government requires one to receive annually from retirement account(s), generally starting in the year a participant reaches age 70 ½. RMDs are the Federal Government's way of ensuring that it begins collecting *its* tax revenue (which has been deferred) on *your* retirement savings.

Failure to withdraw the total RMD amount by the IRS deadline results in a 50% penalty on the amount that isn't withdrawn. If you're required to receive an RMD, FCMM will calculate the amount you must receive for each RMD year and distribute it to you before the IRS deadline. In most cases, the RMD amount is calculated by dividing the prior year's December 31 balance of your retirement plan account by an estimated distribution period, or "life expectancy factor", associated with your current age. (See table.)

IRS Uniform Lifetime Table (Publication 590-B)
For use by unmarried owners or married owners whose spouses are ≤ 10 years younger

Current Age	Distribution Period (years)
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8

Divide retirement fund balance at end of last calendar year by applicable distribution period.
Example: $100,000 at age 74 = $100,000/23.8 = $4,202 RMD in current year.

Required BEGINNING Date – When must I start receiving an RMD?
Unless your entire account has been converted to a *lifetime benefit* or you meet an exception, if you are 70 ½ and have funds within a retirement account you must begin receiving annual RMDs. Generally, the IRS requires an individual to <u>start</u> receiving minimum distributions *no later than* April 1 in the year following the year in which one turns age 70 ½. This is referred to as the "Required Beginning Date" (RBD). Unlike with an IRA, FCMM allows for a **"still working"** exception that provides for a possible extension to the above mentioned RBD. This exception permits a participant working at least part-time for a *Qualified Employer* to postpone their RBD until they "retire". The RBD for those under the FCMM Retirement Plan is April 1 of the year following the **later of**: the calendar year in which you turn 70 ½ **or** the year you are *no longer working at least 20 hours/week or 1000 hours/year* for an organization that participates in the FCMM Retirement Plan.

After the first RMD, one must take subsequent RMDs by December 31 of each year beginning with the calendar year containing their RBD. A participant may not stop RMDs if they return to working for a Qualified Employer. Once RMDs start, they continue annually until a participant annuitizes their entire account or the account balance reaches zero. It is important to note that a participant is allowed to receive their *first* RMD *prior to* their RBD. If a participant waits until April to receive their *first* RMD it will result in the first RMD being received in the same year that the second RMD is paid. For some, the double RMD payment in the same tax year may push the participant into a higher tax bracket. Because of this, <u>FCMM's default date for all RMD payments is December 1, including the first year's payment</u>. If a participant wishes to have their *first* payment sent in April of the following year, it's necessary to contact FCMM and specifically request this.

Satisfying your RMD
There is more than one way to satisfy your RMD from year to year. It's important to understand the relationship between your RMD requirement and certain types of distributions over the course a single calendar year.

<u>Rollover and Cash Withdrawal Requests</u>
If an RMD is required for a calendar year, any amount distributed during that calendar year is treated as your RMD <u>until</u> your total RMD amount for that year is satisfied. This means that the <u>earliest</u> distribution requests of the year will <u>always</u> be considered RMD amounts. Accordingly, the IRS does not allow for the rollover of RMD amounts. For this reason, if a participant submits a request to rollout funds to a new custodian and has not yet met the RMD amount through previous distributions, FCMM is required to distribute the balance of the RMD amount directly to the participant prior to rolling over funds.

cont. on p. 2

What you need to know about RMDs…

Lifetime Benefit Arrangements (Annuities)

For the following explanations, Annuities, in respect to the FCMM Retirement Plan include: FCMM Monthly Income Benefit Payments as well as the available Thrivent Annuity Payments.

1. Annuities starting on or before your RBD

Instead of receiving the amount calculated as one's RMD in a single payment, the minimum distribution requirement may be satisfied by converting the participant's **entire** FCMM account to an annuity so long as it is purchased ***on* or *before*** the RBD.

Example 1:
Participant A is no longer working and has turned 70 ½ in 2017. He is required to take a 2017 RMD based on his 12/31/2016 account balance. The participant decides to annuitize his entire account in July of 2017. There is no need to add up his annuity payments to determine if they meet or exceed his RMD calculated amount. This annuitization satisfies his 2017 RMD because the annuitization occurred before his RBD of 4/1/2018 and he annuitized his entire account.

2. Annuities starting after your RBD

Generally, if a participant purchases an annuity with their entire account ***after*** the RBD, the payments under the annuity contract purchased will only *automatically* satisfy the RMD for distribution calendar years *after* the calendar year of purchase. In regard to satisfying the RMD for the year of purchase, the annuity payments will be treated as distributions from the account. The sum of these "distributions" will be compared to the calculated RMD to determine if the RMD is satisfied. If the sum of the "distributions" is less than the calculated RMD amount, the difference must be distributed to the participant to satisfy the RMD. The EXCEPTION to this is if a participant *starts the annuity on January 1*. A full twelve months of annuity payments in one calendar year satisfies that year's RMD (as well as subsequent years).

Example 2a:
Participant B is 72 in 2017. Her required beginning date was April 1, 2016 in which she received her first RMD payment. She received her second RMD payment in December of 2016. Instead of receiving her RMD payment for 2017, Participant B has decided to annuitize her entire account in 2017. Her annuity start date is 9/1/2017. Because the annuity started after her RBD, in order to determine if the RMD is satisfied, the total amount of annuity payments received must meet or exceed the RMD calculated amount based on 12/31/2016. If the sum of her annuity payments total $900 for September, October, November, and December and her RMD calculated amount is $1200, the participant must receive a distribution for $300 prior to her first annuity payment in order to satisfy her 2017 RMD. The annuity will automatically satisfy the RMD for years after the year of purchase.

Example 2b:
Participant C had an RBD of April 1, 2013. He received his first RMD payment on December 1, 2012. He received his subsequent payments for 2013, 2014, and 2015 on December 1, respectively. On January 1, 2016, he started a monthly income benefit "annuity". Even though the benefit started after his RBD, there is no need to add up his total payments for the year and compare them to the calculated RMD amount. The RMD for 2016 is automatically satisfied with an annuity start date of 1/1.

3. Partial Annuities

For annuity contracts purchased with only **part** of a participant's account, either before the RBD or after the RBD, a special calculation needs to be applied as follows: In the year of purchase, the RMD is based on the **total** balance on 12/31 of the prior year. The payments received from the annuity in the year of purchase go toward reducing the RMD balance. Any remaining RMD balance must be taken from the participant's non-annuitized assets. In the subsequent years, the RMD is calculated based only on the 12/31 value of *non-annuity assets*. The annuity payments received in the years following the year of purchase do not count toward satisfying the RMD, but rather the full RMD amount is paid from the non-annuitized Options.

Example 3:
Participant D has a required beginning date of April 1, 2018. He has funds in Option C and Option D. He decides to only "annuitize" his Option C funds on January 1, 2017. His 2017 RMD is calculated using his account value of both Option C and Option D on 12/31/2016. To determine if his 2017 RMD amount is satisfied, we must add up the total amount of payments received in 2017 and compare that to the amount calculated and distribute additional funds if necessary. In 2018, however, we will only use the account value of his Option D funds on 12/31/2017 to determine the 2018 RMD amount.