

# REQUIRED MINIMUM DISTRIBUTIONS

## SCHOOL PLAN MEMBERS

Each year, **terminated** plan members are required to take a taxable Required Minimum Distribution (RMD) amount from their retirement accounts once they reach "RMD age."

**Failure to take RMDs can result in serious tax penalties, forfeiture of the option for a lifetime monthly benefit, and the eventual transfer of retirement assets to unclaimed property!**

**NOTE:** These regulations do NOT apply to members who are still actively working at a participating employer.



## RMD AGES

Effective January 1, 2020, the federal tax code increased the RMD age from 70½ to 72. This change ONLY applies to individuals who turn 70½ on or after January 1, 2020. Therefore, if you were born before July 1, 1949, your RMD age is 70½. If you were born on or after July 1, 1949, your RMD age is 72.

## RMD DEADLINES

Distributions can be broken down into two separate deadlines – the initial RMD and subsequent RMDs. Due to the design of the School plan, members need to focus primarily on the initial RMD deadline. Once they begin receiving their monthly benefits, subsequent RMDs will be satisfied by those payments. They will not however satisfy RMD requirements for other plans such as an IRA or 403(b).

### RETIRED MEMBERS

The initial RMD is due the calendar year the terminated member turns RMD age. The federal tax code allows individuals to delay taking their initial RMD to April 1 of the following year. For example, if a terminated member attains RMD age during 2021, the initial RMD amount must be taken by April 1, 2022.

**INITIAL  
RMD IS DUE**

### ACTIVE MEMBERS

If the member works beyond their RMD age (at a participating employer) then the initial RMD is due the calendar year of termination. The federal tax code allows individuals actively working past their RMD age to delay taking the initial RMD until April 1, following their year of termination.

The April 1 "grace period" provides individuals who terminate late in the year additional time to apply for and begin taking benefits prior to the initial RMD deadline. Even with the additional time, it's still very important for members to be aware of this deadline.

**If the member fails to apply for AND begin receiving their lifetime monthly (pension) benefit prior to the April 1 deadline, their benefit option is restricted to a refund of their account minus the RMD amount. They are no longer eligible for the lifetime pension which could result in a significant loss of retirement benefits. If the member continues to defer applying for a distribution, NPERS will transfer their account to Unclaimed Property on or about November 1.**

## APPLICATION DEADLINES

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NPERS recommends all members contact our office three to six months prior to termination to start the application process. Applying in advance takes on even more significance for terminated members who need to meet an April 1 RMD deadline. Those members should preferably contact NPERS three to six months prior to termination, but no later than November 1. After they contact us, we will create and mail a retirement packet containing the paperwork they need to complete and return to our office.

- **The completed Application for Retirement form must be received in our office by the last working day in February in order to meet the April 1 deadline. This deadline cannot be waived!**
- **All additional required paperwork such as birth certificates, marriage licenses, etc. should be submitted with the application. These documents must be received by NPERS in time to process the application and issue the first monthly benefit prior to the April 1 RMD deadline.**
- **Failure to meet these deadlines may result in the loss of the lifetime benefit!**

*Members who terminate on or after RMD age should be aware of these deadlines and apply for benefits in a timely manner.*

## HOW WE HELP

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Clearly this can be a complicated process, but NPERS does provide assistance.

NPERS includes annual RMD notifications in all statements (both active and terminated plan members) when members reach age 65. This notice is designed to inform them of the potential for a future RMD.

If we are aware a terminated member has entered the year they will reach RMD age, or if we receive notification of termination for a member who is RMD age or older, we will mail correspondence advising of the initial RMD due date and distribution options.

## YOUR RESPONSIBILITIES

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NPERS will make every effort to provide RMD notifications to plan participants, but we cannot guarantee accurate notification for every member. **It is your responsibility to understand your RMD age and apply for benefits in time to meet the application deadlines.**

We recommend these steps:

- 1.** If you terminate employment, keep your address up to date with NPERS.
- 2.** If you are eligible for an unreduced pension or have reached your RMD age, apply for benefits three to six months prior to termination.