

Reminders About Required Minimum Distributions

March 29, 2019

Under Section 401(a)(9)(A) of the Internal Revenue Code, qualified employer-sponsored retirement plans must commence payment of required minimum distributions to a participant by no later than the participant's "required beginning date" (**RBD**). A participant's RBD is defined as April 1 of the calendar year following the *later* of (i) the calendar year in which the participant attains age 70.5 or (ii) the calendar year in which the participant retires from the employer-plan sponsor. However, the "still-working" exception in the second clause of the previous sentence does not apply to a "five-percent owner" of the employer. Additionally, special rules apply for making required minimum distributions to beneficiaries of deceased participants. With April 1, 2019 around the corner, the following list contains a few reminders for employers regarding required minimum distributions:

- Once a participant has commenced required minimum distributions from the plan, the participant must continue to receive them even if the participant is later rehired or ceases to be a five-percent owner.
- A plan should not consider an employee "retired" for purposes of determining the participant's RBD if the employee continues working for the employer on a part-time basis.
- The terms of a particular retirement plan may provide for a mandatory distribution date that is prior to the participant's RBD under the Internal Revenue Code (e.g., at one's normal retirement date). Additionally, some plans may require full distribution at the RBD (as opposed to only requiring commencement of required minimum distributions). Employers should review their plan's distribution provisions and confirm that the plan's third party administrator is following them.

If an employer is unable to make a distribution as of a participant's RBD because the participant is "missing," the employer should ensure that it has taken (and documented) the steps required by the IRS for locating the participant. Such requirements are listed in our [prior blog post](#). The employer should also ensure that its procedures for making mandatory distributions to unresponsive participants are being followed.