



Changes in Distributions & Plan Provisions

This FYI provides information about the change in required minimum distributions for 2009 and certain other changes due to the Worker, Retiree, and Employer Recovery Act of 2008. The Act became law on December 23, 2008.

- Required minimum distributions generally are distributions from retirement plans to certain individuals who have reached age 70 1/2. This new law waives any required minimum distribution for 2009 for defined contribution plans such as 401(k) plans and certain other plans.

Required minimum distributions for 2008 are not affected (even if made in 2009). There are special rules for individuals taking distributions over a five-year period. There are options for plans regarding direct rollovers for the affected individuals. Plan sponsors should make decisions about how to administer their plans.

- Requirements for rollovers of designated Roth contributions from a 401(k) plan have been revised.

- Eligible Automatic Contribution Arrangement plans meeting the requirements of Code Section 414(w) no longer are required to use a Qualified Default Investment Alternative. This gives employers more flexibility in plan design.

- Gap period income is no longer required for distributions of excess deferrals (generally, amounts in excess of the \$16,500 (2009) limit for deferrals). The "gap period" generally is the period between the end of the year and the date of distribution.

- Non-spouse beneficiary rollover requirements, including notice provisions, have been changed.

I have focused on some of the major changes that affect defined contribution plans, but the law also includes other employee benefit changes, including numerous changes affecting defined benefit plans.

What should employers do?

- Address plan administration choices and changes now.

- Contact your attorney regarding changes to your plan documents, notices, and forms.

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