



## **FAQs – SECURE Act: RMD Changes**

### **1. What is the Secure Act?**

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was designed to strengthen the nation's retirement security through policy changes to retirement savings accounts. The bill has many components, but the biggest impact to Wespath-administered plans is related to Required Minimum Distributions (RMDs).

### **2. How does it impact Required Minimum Distributions (RMDs)?**

The SECURE Act changed the required age to start receiving retirement benefits from age 70½ to 72 for certain populations.

### **3. When does it take effect?**

This law was passed in December 2019 and was effective January 1, 2020.

### **4. Does the Secure Act impact all RMD eligible participants?**

The SECURE Act impacts any participant who reaches the age of 70½ on or after January 1, 2020. Our plan provisions for this group of participants require that they take an RMD by April 1 following the later of the year in which they reach age 72 or the year in which they retire or terminate.

### **5. What happens for participants who reached age 70½ prior to January 1, 2020?**

This group is not impacted by the change. Previous RMD rules apply to those who reached age 70½ prior to January 1, 2020.

### **6. Does the SECURE Act impact RMDs to surviving spouses, non-spouse beneficiaries and alternate payees?**

The Act impacts how a retirement plan account is distributed when the owner dies before RMDs have begun. If they died before January 1, 2020, generally, the entire amount of the owner's benefit must be distributed to the beneficiary who is an individual either (1) within 5 years of the owner's death, or (2) over the life of the beneficiary starting no later than one year following the owner's death.

For participants who die after December 31, 2019, the SECURE Act requires the entire balance of the participant's account be distributed within 10 years. There is an exception for surviving

spouses, children who have not reached the age of majority, disabled or chronically ill individuals or individuals not more than 10 years younger than the employee. The new 10-year rule applies regardless of whether the participant dies before, on or after the required beginning date, now age 72.

**7. Does the SECURE Act impact the way RMDs are calculated?**

No. RMDs are still calculated by taking the ending balance as of 12/31 of the previous year and dividing it by a life expectancy factor determined by the IRS.

**8. How will distributions be processed for participants who turn age 70½ after December 31, 2019? Have our systems been updated for the change?**

Wespath is updating its systems to account for the new rule. Currently, distributions will be treated as RMDs for participants who would have been subject to an RMD under the old rule. That means those payments will not be subject to mandatory 20% federal withholding and cannot be rolled over by submitting a standard application for benefits online or via a form. If you fall under the new rule and you want to have the mandatory 20% federal withholding apply to your distribution or you wish to roll over your distribution, please contact Wespath.