Contents

List of Questions ........................................... xxxi

Part 1 In-Service Events

CHAPTER 1
In-Service Distributions ........................................... 1-1

Profit Sharing Plans ........................................... 1-13
Hardship Distributions ....................................... 1-16
Pension Plans .................................................... 1-24
Employee Stock Ownership Plans ......................... 1-28
Qualified Birth or Adoption Distributions ............... 1-36
Qualified Disaster Distributions ......................... 1-38
Coronavirus-Related Distributions ....................... 1-42

CHAPTER 2
Loans .............................................................. 2-1

General Rule: Loans from Qualified Employer Plans Treated as Taxable Distributions ................. 2-1
<table>
<thead>
<tr>
<th>Chapter 3: QDROs and Other Exceptions to the Anti-Alienation Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Rules and Definitions</td>
</tr>
<tr>
<td>Form or Amount of Benefits May Not Be Altered</td>
</tr>
<tr>
<td>How QDROs Affect Other Retirement Plan Benefits;</td>
</tr>
<tr>
<td>Section 415 Requirements</td>
</tr>
<tr>
<td>Alternate Payee’s Retirement Plan Benefits Must Be</td>
</tr>
<tr>
<td>Clearly Specified</td>
</tr>
<tr>
<td>QDROs Must Specify the Benefit Period and the Retirement Plan</td>
</tr>
<tr>
<td>Retirement Plan Provisions and Written Procedures for</td>
</tr>
<tr>
<td>Determining the Qualified Status of a DRO</td>
</tr>
<tr>
<td>Procedures to Follow After a Retirement Plan</td>
</tr>
<tr>
<td>Receives a DRO</td>
</tr>
<tr>
<td>Contents</td>
</tr>
<tr>
<td>---------------------------------</td>
</tr>
<tr>
<td>Taxation of Retirement Plan Distributions Made Under QDROs</td>
</tr>
<tr>
<td>Official Guidance on Drafting, Reviewing, and Administering QDROs</td>
</tr>
<tr>
<td>Permitted Offsets of Retirement Plan Benefits</td>
</tr>
</tbody>
</table>

**CHAPTER 4**

Required Minimum Distributions | 4-1 |
Waiver of Required Minimum Distributions | 4-9 |
Minimum Distribution Requirement in General | 4-11 |
RMDs Beginning During a Participant’s Lifetime (Lifetime RMDs) | 4-13 |
Post-Death RMDs from Defined Benefit Plans | 4-16 |
Post-Death RMDs from Defined Contribution Plans | 4-19 |
Determination of the Designated Beneficiary | 4-22 |
Determining RMD Amounts under Defined Contribution Plans | 4-26 |
Determining RMD Amounts under Defined Benefit Plans and Annuity Contracts | 4-40 |
Rollovers and Transfers | 4-59 |
Special Rules | 4-60 |
IRS Field Directive to Employee Plans (EP) Examiners | 4-67 |
CHAPTER 5
Corrective Distributions ........................................... 5-1
  Excess Contributions ............................................. 5-1
  Excess Aggregate Contributions ................................. 5-9
  Excess Elective Contributions .................................. 5-16
  Excess Annual Additions ......................................... 5-24

CHAPTER 6
Taxable Life Insurance Costs ........................................ 6-1
  Calculation of Taxable Insurance Costs ........................... 6-2

CHAPTER 7
Bankruptcy .............................................................. 7-1
  Bankruptcy ............................................................ 7-1

Part 2 Benefit Determination

CHAPTER 8
Vesting ................................................................. 8-1
  General Vesting Rules .............................................. 8-2
  PPA Changes Effective for Post-2006 Plan Years ............ 8-6
  Top-Heavy Rules ................................................... 8-8
  Determination of Top-Heavy Status .............................. 8-11
Death Benefits, Rollovers, and Plan-to-Plan Transfers ............................................ 8-12
Key Employees .................................................................................. 8-13
Top-Heavy Vesting Schedules ......................................................... 8-16
Determination of Years of Vesting Service .................................. 8-16
Breaks in Service ........................................................................... 8-21
Amendments in Vesting Schedules ............................................... 8-23
Forfeitures and Cash-Out Rules ...................................................... 8-25
Required Vesting upon Plan Termination, Partial Termination, or Complete Discontinuance of Contributions .......................................................... 8-30

CHAPTER 9
Administrative Determination of Benefits .................................. 9-1
Determining Account Balances in Defined Contribution Plans .......... 9-1
Cash-Out Rules ................................................................................ 9-5
Underfunded Defined Contribution Plans ...................................... 9-9
Determining Accrued Benefits in Traditional Defined Benefit Plans ....... 9-12
Determination of Accrual of Service ............................................. 9-20
Benefit Minimums and Limitations ............................................... 9-26
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Lump Sum Determination 9-38</td>
</tr>
<tr>
<td></td>
<td>Determining Benefits in Non-Traditional Plans 9-41</td>
</tr>
<tr>
<td>CHAPTER 10</td>
<td>Optional Forms of Benefit and Protected Benefits 10-1</td>
</tr>
<tr>
<td></td>
<td>Nondiscrimination Rules Under Code Section 401(a)(4) 10-4</td>
</tr>
<tr>
<td></td>
<td>Permissive Aggregation of Certain Benefits, Rights, or Features 10-16</td>
</tr>
<tr>
<td></td>
<td>Code Section 411(d)(6) Protected Benefits 10-22</td>
</tr>
<tr>
<td>CHAPTER 11</td>
<td>QJSA and QPSA Rules 11-1</td>
</tr>
<tr>
<td></td>
<td>Overview 11-5</td>
</tr>
<tr>
<td></td>
<td>Retirement Plans Subject to Survivor Annuity Requirements 11-6</td>
</tr>
<tr>
<td></td>
<td>Transferee, Offset, Frozen, and Terminated Plans 11-12</td>
</tr>
<tr>
<td></td>
<td>Applying Survivor Annuity Requirements to Participants 11-14</td>
</tr>
<tr>
<td></td>
<td>Annuity Starting Date 11-15</td>
</tr>
<tr>
<td></td>
<td>Benefits 11-18</td>
</tr>
<tr>
<td></td>
<td>Timing of QJSA Distributions 11-20</td>
</tr>
<tr>
<td></td>
<td>Rules Governing the QPSA 11-20</td>
</tr>
</tbody>
</table>
## Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applying Survivor Annuity Requirements to Plan Loans</td>
<td>11-22</td>
</tr>
<tr>
<td>Applying Survivor Annuity Requirements to Unmarried Participants, Surviving Spouses, and Participants Who Have a Change in Marital Status</td>
<td>11-23</td>
</tr>
<tr>
<td>Spousal Consent Requirement</td>
<td>11-25</td>
</tr>
<tr>
<td>Participant’s Waiver of a QPSA or QJSA</td>
<td>11-27</td>
</tr>
<tr>
<td>Notice Requirements</td>
<td>11-34</td>
</tr>
<tr>
<td>Subsidized Survivor Benefits</td>
<td>11-58</td>
</tr>
</tbody>
</table>

**Chapter 12**

Retirement, Disability, and Death ........................................ 12-1

Normal Retirement ........................................................................ 12-2

Early Retirement ......................................................................... 12-6

Late Retirement ........................................................................... 12-13

Phased Retirement ...................................................................... 12-15

Longevity Annuities ................................................................... 12-16

Suspension of Benefits ................................................................ 12-17

Disability Benefits ..................................................................... 12-19

Disability Benefits in Defined Contribution Plans .................... 12-20

Disability Benefits in Defined Benefit Plans ........................... 12-23
Death Benefits in Defined Contribution Plans .............. 12-25
Death Benefits in Defined Benefit Plans .................. 12-28
Required Minimum Distribution Rules ................... 12-37

CHAPTER 13
Other Termination of Employment Issues .................. 13-1
General Considerations ................................. 13-2
ESOPs .................................................... 13-5
Suspension of Benefits ................................. 13-8
Claims for Benefits .................................. 13-11

CHAPTER 14
Restrictions on Distributions .............................. 14-1
Historical Perspective ................................. 14-1
Application of Benefit Restriction Rules ................. 14-4
Use of Collateral Agreements ........................... 14-11
Code Section 436 Rules on Restricted Distribution ... 14-13

Part 3 Plan Termination

CHAPTER 15
Plan Termination Issues ................................. 15-1
General Requirements ................................ 15-2
Contents

Defined Contribution Plans ................................................. 15-5
Defined Benefit Plans ...................................................... 15-26
Liquidating Plan Assets .................................................... 15-36
Surplus Assets .................................................................... 15-37
Distribution of Election Forms .............................................. 15-39
Final Disclosure Forms ......................................................... 15-43
Abandoned Defined Contribution (Orphan) Plans .................. 15-44

CHAPTER 16
The Termination Process for Single and Multiple Employer PBGC-Covered Plans ......................... 16-1
Coverage .............................................................................. 16-2
PBGC Termination Steps ..................................................... 16-5
Notice of Intent to Terminate ................................................. 16-8
Preliminary Information for PBGC .......................................... 16-12
Measurement of Benefit Liabilities ......................................... 16-14
Insufficiency of Plan Assets .................................................. 16-18
Actions of Plan Sponsor ....................................................... 16-20
ERISA Section 204(h) Notice ................................................ 16-21
Information Gathering .................................. 16-22
Notice of Plan Benefits ................................ 16-22
Final Stages .................................................. 16-26
When the Plan Has Surplus Assets ................. 16-27
Missing Participants ......................................... 16-31
Post-Distribution Certification .......................... 16-35
Spinoff/Termination Transaction Rules .......... 16-37
Final Returns/Reports ...................................... 16-38

CHAPTER 17
Underfunded Plans ........................................... 17-1

Underfunded PBGC-Covered Defined Benefit Plans ........................................... 17-1

Involuntary Terminations ................................. 17-21

PPA Requirements for Distress and Involuntary Terminations .......................................... 17-22

Defined Benefit Plans Not Covered by the PBGC ................................................. 17-25

Making Contributions to Meet Plan Liabilities ................................................... 17-26

Underfunded Defined Contribution Plans .......... 17-28
Part 4 Tax Treatment

CHAPTER 18
Taxation of Periodic Payments .................................. 18-1
  Understanding Basic Concepts .................................. 18-2
  Simplified Method of Basis Recovery and Transition Rule .......... 18-5
  Fully Taxable Annuity Payments .................................. 18-14

CHAPTER 19
Taxation of Nonperiodic Payments ............................... 19-1
  Annuity Starting Date ........................................... 19-1
  Various Types of Taxable Distributions and Transfers .............. 19-4
  Lump-Sum Distributions .......................................... 19-9
  Five-Year Forward Income Averaging ............................. 19-24
  Ten-Year Forward Income Averaging ............................. 19-30
  Capital Gains Treatment ......................................... 19-31
  Special Lump-Sum Distribution Issues ........................... 19-34

CHAPTER 20
Additional Taxes ....................................................... 20-1
  Additional 10 Percent Income Tax on Early Distributions .......... 20-3
  Fifty Percent Excise Tax on Failure to Make RMDs ............... 20-14
CHAPTER 21
Direct Rollovers .................................................. 21-1
  Direct Rollover Option Required ......................... 21-6
  Eligible Rollover Distributions .......................... 21-23
  Section 402(f) Rollover Notice .......................... 21-43
  Rollover Contributions by Employees Not Yet Eligible
to Participate in a Qualified Plan ....................... 21-45
  Other Direct Rollover Issues ......................... 21-47

CHAPTER 22
State Income Tax Withholding and FICA and FUTA
Treatment .................................................. 22-1
  Survey of State Income Tax Withholding Rules ..... 22-1
  FICA and FUTA Treatment of Qualified Plan
  Distributions ........................................... 22-5
  State “Source” Taxation of Retirement Benefits ..... 22-5

CHAPTER 23
Plan Disqualification and Self-Correction Programs ... 23-1
  Disqualification Events ................................. 23-9
  Alternatives to Plan Disqualification—SCP, VCP,
  and Audit CAP ........................................ 23-12
  Program Eligibility ..................................... 23-13
  Consequences of Plan Disqualification ............... 23-42
Part 5 Administrative Requirements

CHAPTER 24

Federal Income Tax Withholding ........................................... 24-1

Federal Income Tax Withholding on Eligible Rollover
Distributions That Are Not Rolled Over .......................... 24-2

Federal Income Tax Withholding on Periodic and
Nonperiodic Payments That Are Not Eligible
Rollover Distributions .................................................. 24-9

CHAPTER 25

Distributions In-Kind .......................................................... 25-1

In General ........................................................................... 25-1

Optional Form of Benefit Rules ...................................... 25-2

Operational Rules ............................................................... 25-6

Tax Withholding Requirements ....................................... 25-7

Rollover Rules .................................................................. 25-9

Treatment of Life Insurance and Annuity
Contracts ........................................................................... 25-11

Distribution of Employer Securities ................................. 25-17

CHAPTER 26

Trustee-to-Trustee Transfers .............................................. 26-1

Retirement Plan Mergers, Consolidations, and Asset
Transfers ................................................................. 26-1
Application of the Merger, Consolidation, and Transfer Requirements to Retirement Plan Spinoffs ................................................ 26-2

Retirement Plan Mergers or Consolidations ............. 26-3

CHAPTER 27

Reporting Distributions: IRS Form 1099-R .............. 27-1

Overview ...................................................... 27-1

General Requirements ........................................ 27-2

Line-by-Line Explanation ..................................... 27-10

Electronic Filing ............................................. 27-22

Correcting Form 1099-R .................................... 27-26

Combined Federal/State Filing Program ................ 27-28

Part 6 Distribution Planning

CHAPTER 28

Rollovers ....................................................... 28-1

Review of the Basics ........................................ 28-1

Challenges in IRA Rollovers ............................... 28-5

Advantages and Disadvantages of IRA Rollovers .... 28-11

Roth IRAs ..................................................... 28-12
CHAPTER 29
Lump-Sum Distributions .................................................. 29-1

Review ................................................................. 29-1

Calculating Taxable Amounts ......................................... 29-3

Economic Issues ....................................................... 29-9

Impact of Other Taxes ................................................ 29-10

Advantages and Disadvantages of Lump-Sum Distributions ........................................... 29-11

APPENDIX A
120 Percent of Federal Mid-term Rate ......................... A-1

APPENDIX B
Pre-GATT Section 417(e) Interest Rates ....................... B-1

APPENDIX C
30-Year Treasury Securities Rates .......................... C-1

APPENDIX D
Single Life Table ...................................................... D-1

APPENDIX E
Joint Life and Last Survivor Table .......................... E-1

APPENDIX F
Mortality Tables ......................................................... F-1

APPENDIX G
Determination of HCEs ............................................. G-1
APPENDIX H

Minimum Present Value Segment Rates .............. H-1

Tables

Cases .......................................................... T-1

Internal Revenue Code Sections ....................... T-3

Treasury Regulations ........................................ T-11

Index .......................................................... IN-1