

The 403(b), 457(b), and DC Plans

Minimum Required Distributions Fact Sheet



The CARES Act suspends 2020 MRDs

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), enacted on March 27, 2020, allows individuals to waive 2020 MRDs. This temporary waiver addresses potential concerns about taking money out of investments during the current volatile market and economic slowdown.

WHAT YOU NEED TO KNOW

- **You don't need to take action if you want to waive your 2020 MRD and have not scheduled a distribution.**
- **Fidelity will NOT automatically process MRDs from your UC 403(b), 457(b), or DC Plan in 2020, unless you have a scheduled distribution.**
- As a reminder, the SECURE Act passed in late 2019 raised the MRD age to 72 years old for anyone born on or after July 1, 1949.

WHICH MRDS ARE COVERED?

The temporary waiver applies to your MRD if you:

- **Were eligible for your first MRD in 2019** and your first required payment was taken between January 1 and April 1, 2020.
- **Are eligible for your first MRD in 2020** and your first payment was required to be paid between January 1, 2020 and April 4, 2021.
- **Have already started taking MRDs prior to 2020** and you had payments that were required to be taken between January 1, 2020, and December 31, 2020.
- **Are the beneficiary on an account** and you have either Beneficiary Lifetime Annual Distributions or 5th Year Force Out MRDs that were required to be paid between January 1, 2020, and December 31, 2020.

Note: If you have already taken an MRD in 2020, you may not return the distribution; however, under certain provisions, you may be able to roll over the MRD payments received between February 1, 2020 through May 15, 2020 into the UC Retirement Savings Program, another eligible retirement plan or an IRA. The IRS has not granted an extension on MRD payments received prior to February 1, 2020. You should consult with your tax advisor to determine if you are able to self-certify to extend the 60-day rollover window.¹

WHAT YOU NEED TO DO

No action is required if you want to waive your 2020 MRD and have not scheduled a distribution.

To change or cancel a pre-scheduled MRD or take your 2020 MRD, call a UC-dedicated Retirement Planner at **1-800-558-9182**.

WHERE TO GO FOR MORE INFORMATION

If you have questions about the CARES Act and how it affects your MRD, call a UC-dedicated Retirement Planner at **1-800-558-9182**.

Note that the IRS may provide additional guidance on this provision. To learn more, visit www.irs.gov and search "required minimum distributions."

¹If you are a beneficiary, other than a spouse of the deceased participant, you are considered a "nonspousal beneficiary" and are not currently eligible for the rollover option unless there is a change in the current law or the IRS issues specific guidance to allow it.

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.

What are minimum required distributions (MRDs)?

Once you reach age 72² and are no longer working at UC, the Internal Revenue Service (IRS) and UC's Retirement Savings Program require you to start withdrawing money from your tax-deferred retirement savings plan(s), such as UC's 403(b), 457(b) and DC Pre-Tax Plans. These mandatory withdrawals are known as "minimum required distributions" (or sometimes "required minimum distributions").

Minimum required distributions (MRDs) apply to all of UC's plans, and you must satisfy the requirements for each plan separately. Distributions from one plan do not satisfy the requirements for another plan, and MRDs are not eligible for rollover to other tax-deferred accounts. Further, distributions from an Individual Retirement Account (IRA) or any other non-UC plans that you might have do not satisfy the requirements for the UC plans.

How is my MRD determined?

The amount of your MRD is calculated by dividing your previous year-end plan balance by an IRS factor based on your life expectancy. For your calculation each year, the IRS factor corresponding to your age on your birthday in that year is applied. For instance, if you turn age 72 in August, the calculation for your MRD that year will be based on the factor corresponding to age 72.

EXAMPLE

$$\$100,000 \div 25.6 = \$3,905.25$$

MRDs must be calculated using the Uniform Lifetime Table (see below), unless your sole primary beneficiary for the entire tax year is your spouse who is more than 10 years younger than you. In this case, the Joint Life Expectancy Table can be used (resulting in a longer distribution period).

UNIFORM LIFETIME TABLE — 2020

AGE	FACTOR	AGE	FACTOR	AGE	FACTOR	AGE	FACTOR
72	25.6	83	16.3	94	9.1	105	4.5
73	24.7	84	15.5	95	8.6	106	4.2
74	23.8	85	14.8	96	8.1	107	3.9
75	22.9	86	14.1	97	7.6	108	3.7
76	22.0	87	13.4	98	7.1	109	3.4
77	21.2	88	12.7	99	6.7	110	3.1
78	20.3	89	12.0	100	6.3	111	2.9
79	19.5	90	11.4	101	5.9	112	2.6
80	18.7	91	10.8	102	5.5	113	2.4
81	17.9	92	10.2	103	5.2	114	2.1
82	17.1	93	9.6	104	4.9	115 and older	1.9

If you want to schedule an automatic withdrawal for the current year, you must contact Fidelity Retirement Services at 1-866-682-7787.

Can I schedule my MRDs?

Remember, the CARES Act temporarily suspended 2020 MRDs. However, if you want to take an MRD, you must request it through Fidelity.

You have the option of scheduling "automatic withdrawal payments" (AWP) for the current and future years. This service will allow you to establish an electronic funds transfer (EFT) payment, so that your distribution will be deposited directly to your chosen bank account, as well as choose the specific date(s) of your MRD payment every year. With AWP you will also be able to customize your tax withholding.

If you have your 2020 MRD set up through AWP and want to suspend the distribution per the CARES Act, you must contact Fidelity.

What are the dates for my first and subsequent MRDs? (Suspended for 2020 MRDs)

Your first MRD must be withdrawn by April 1 of the year following the year you turn age 72² or leave UC employment (whichever is later).

All subsequent MRDs must be received by December 31 of each year. Once you begin receiving your MRD, you must continue to receive an MRD each year, even if you return to work at UC.

What if I don't take my MRD? (Suspended for 2020 MRDs)

The penalty for not taking your MRD is severe: If you don't receive a distribution that satisfies the requirements, you must pay the IRS an additional nondeductible 50% tax on the amount that you should have received.

Your MRD will be automatically processed (Suspended for 2020 MRDs)

To ensure UC's plan participants are compliant, UC's Plan record keeper (Fidelity® Retirement Services) determines if you are still actively employed and paid by the University based on transmitted payroll status information from UC in December of each year. If you are over age 72² and not shown as active and paid by UC, then Fidelity will automatically issue your first year MRD by mid-March of the following year (as described above). Then MRDs must continue each year, before the end of each year, regardless of whether you return to work at UC.

If you believe you should receive an MRD and/or did not receive an automated distribution, please make sure you contact Fidelity before the deadlines to start your MRDs. You should always consider consulting with your tax advisor if you have any additional concerns and questions.

²The SECURE Act raised the MRD age to 72 years old. This change in the MRD age requirement from 70½ to 72 only applies to individuals who turn 70½ on or after January 1, 2020.

Tax withholding

You can provide specific withholding instructions, including electing to not have income tax withheld. If you do not provide instructions, Fidelity Retirement Services is required to automatically withhold federal income tax from your gross MRD amount. The amount withheld is determined by the IRS wage withholding tables and assumes you are married with three withholding allowances. The withholding tax tables are available at www.irs.gov.

Source of distribution

If you have money invested in more than one investment fund, Fidelity Retirement Services will withdraw your MRD proportionately from each fund in which you are invested, unless you ask to have your MRD withdrawn from a specific fund or funds.* Because investments can change throughout the year, you cannot identify the specific fund(s) from which you want to withdraw your distribution until just prior to your desired distribution date. Call Fidelity Retirement Services for more information.

*MRDs cannot be processed automatically from BrokerageLink®. Sufficient funds must be available and invested in the UC fund menu lineup. If all of your investments in any UC Plan are in BrokerageLink, you must call Fidelity Retirement Services to initiate your MRD. Direction to move sufficient funds into the UC Fund line-up will be provided.

Beneficiary accounts

The beneficiaries of deceased retirees who maintain 403(b), 457(b), or DC Plan balances in the University's Retirement Savings Program are also subject to the IRS rules regarding MRDs.

Name your beneficiary for your 403(b), 457(b), and DC plans

If you have not named a beneficiary for your account and want to do so, log on to www.myUCretirement.com, click *Update Beneficiary* in the *Supplemental Retirement Benefits* tab at the top to name your beneficiary online. Be sure to name a beneficiary for each of your plans. You may also name your beneficiary by calling Fidelity Retirement Services and requesting a paper beneficiary designation form at **1-866-682-7787**.

Special rule if you had a 403(b) plan balance on 12/31/86 (Suspended for 2020 MRDs)

A special federal tax rule will **exclude** your 403(b) Plan balance as of December 31, 1986, from your MRD calculation. This special federal tax rule will be applied until the year in which you reach the age of 75.

The amount you can exclude will be reduced by the amount of any voluntary withdrawals since January 1987, except for MRDs. If you are eligible, Fidelity® Retirement Services will automatically **exclude** any pre-1987 balance when calculating your MRD. Account balances in the 457(b) Plan or the DC Plan are not subject to this rule.

EXAMPLE

A 73-year-old participant has a UC-sponsored 403(b) Plan from which no distributions have been taken during 2020. This 403(b) Plan is subject to the MRDs.

	A	–	B	=	C	÷	D	=	2020 MRD
	Previous year-end balance		12/31/86 balance in 403(b) Plan		Amount subject to 2020 MRD		Uniform Lifetime Table factor		
SAMPLE	\$100,000		\$20,000		\$80,000		24.7		\$3,239 (\$80,000 ÷ 24.7)
YOUR CALCULATION	Log on to your accounts or call Fidelity for 12/31 balance		Call Fidelity for balance		A – B		Use table on page 2		C ÷ D



Questions about the 403(b), 457(b), or DC Plans?

For questions about the 403(b), 457(b), or DC Plans, please call Fidelity Retirement Services at **1-866-682-7787**. Representatives are available Monday through Friday, 5:00 a.m. to 9:00 p.m. Pacific time.



Need additional information?

You can get additional information about your individual plan accounts and name beneficiaries online at **www.myUCretirement.com**. Click *Check your account* under the *Supplemental Retirement Benefits*.



Tax questions?

For tax questions, you may wish to obtain a copy of IRS Publication 575, which discusses taxation of retirement plan distributions. This publication also discusses minimum required distributions and amounts that can be rolled over to an IRA. Publication 571 discusses unique taxation rules for 403(b) plans. Publication 590-B provides the joint life table and the table that applies to beneficiaries. These publications are available from local IRS offices or on the Web at **www.irs.gov**. You may also wish to consult a tax advisor to discuss your individual situation.

The University of California intends to continue the benefits described here indefinitely; however, the benefits of all employees, retirees, and plan beneficiaries are subject to change or termination at the time of contract renewal or at any other time by the University or other governing authorities. If you belong to an exclusively represented bargaining unit, some of your benefits may differ from the ones described here.

In conformance with applicable law and University policy, the University asserts that it is an affirmative action/equal opportunity employer. Please send inquiries regarding the University's affirmative action and equal opportunity policies for staff to Director of Diversity and Employee Programs, University of California Office of the President, 300 Lakeside Drive, Oakland, CA 94612, and for faculty to Director of Academic Affirmative Action, University of California Office of the President, 1111 Franklin Street, Oakland, CA 94607.