

MEMO# 32046

November 8, 2019

Treasury Proposes Updated Life Expectancy and Distribution Period Tables for RMD Calculations

[32046]

November 8, 2019 TO: ICI Members
Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension RE: Treasury Proposes Updated Life Expectancy and Distribution Period Tables for RMD Calculations

The Treasury Department has issued proposed regulations updating the life expectancy and distribution period tables used for purposes of calculating required minimum distributions (RMDs) from retirement plans and IRAs.[\[1\]](#) An August 31, 2018 Executive Order directed Treasury to examine the life expectancy and distribution period tables in the RMD regulations[\[2\]](#) and determine whether they should be updated to reflect current mortality data and whether such updates should be made annually or on another periodic basis.[\[3\]](#)

After examining the life expectancy and distribution period tables and reviewing currently available mortality data, Treasury has determined that those tables should be updated to reflect current life expectancies. The proposal explains that the life expectancy tables and applicable distribution period tables in the proposed regulations reflect longer life expectancies than the tables in the existing regulations (generally between one and two years longer). The effect of this will be to reduce RMDs and thus enable plan participants and IRA owners to retain larger balances in their retirement accounts.

The updated tables are proposed to apply for distribution calendar years beginning on or after January 1, 2021. The proposal provides an example for an individual who attains age 70½ in 2020 (i.e., for whom the RMD for the distribution calendar year 2020 is due April 1, 2021). In this example, the final regulations would not apply to the RMD for the individual's 2020 distribution calendar year (which is due April 1, 2021), but would apply to the RMD for the individual's 2021 distribution calendar year (which is due December 31, 2021). The proposal includes special transition rules applicable with respect to participants and IRA owners who die before January 1, 2021.

The proposal also provides guidance for taxpayers receiving substantially equal periodic payments pursuant to Revenue Ruling 2002-62, which provides an exemption from the early distribution penalty tax under Code section 72(t) for payments calculated using the life expectancy tables set forth in these regulations.

Comments on the proposal are due by January 7, 2020 and a public hearing is scheduled for January 23, 2020. Treasury requests comments on all aspects of the proposed regulations, including:

- How often the life expectancy and distribution period tables in the regulations should be updated.
- The extent of the administrative burden involved in implementing any such updates.
- Whether guidance is needed so that a participant whose plan administrator or trustee fails to implement the final regulations in a timely fashion may take RMDs (or roll over distributions in excess of the RMD) in a manner that takes into account the final regulations.

Elena Barone Chism
Associate General Counsel - Retirement Policy

endnotes

[1] The proposed regulations are available at:
<https://www.govinfo.gov/content/pkg/FR-2019-11-08/pdf/2019-24065.pdf>.

[2] Treasury Regulation §1.401(a)(9)-9.

[3] Executive Order 13847, 83 Fed. Reg. 45321, directs the Departments of Labor and Treasury to take various actions to strengthen retirement security through expanding access to workplace retirement plans. The Order touches on three main areas for change: multiple employer plans (MEPs), notice and disclosure requirements, and required minimum distribution (RMD) rules. The Order is available at:
<https://www.whitehouse.gov/presidential-actions/executive-order-strengthening-retirement-security-america/>.