

### Reg. Section 1.401(a)(9)-8, Q&A 3 Special Rules.

Q-1. What distribution rules apply if an employee is a participant in more than one plan?

A-1. If an employee is a participant in more than one plan, the plans in which the employee participates are not permitted to be aggregated for purposes of testing whether the distribution requirements of section 401(a)(9) [26 USCS § 401(a)(9)] are met. The distribution of the benefit of the employee under each plan must separately meet the requirements of section 401(a)(9) [26 USCS § 401(a)(9)]. For this purpose, a plan described in section 414(k) [26 USCS § 414(k)] is treated as two separate plans, a defined contribution plan to the extent benefits are based on an individual account and a defined benefit plan with respect to the remaining benefits.

Q-2. If an employee's benefit under a defined contribution plan is divided into separate accounts (or under a defined benefit plan is divided into segregated shares), do the distribution rules in section 401(a)(9) [26 USCS § 401(a)(9)] and these regulations apply separately to each separate account?


A-2. (a) Defined contribution plan. (1) Except as otherwise provided in this A-2, if an employee's benefit under a defined contribution plan is divided into separate accounts under the plan, the separate accounts will be aggregated for purposes of satisfying the rules in section 401(a)(9) [26 USCS § 401(a)(9)]. Thus, except as otherwise provided in this A-2, all separate accounts, including a separate account for employee contributions under section 72(d)(2) [26 USCS § 72(d)(2)], will be aggregated for purposes of section 401(a)(9) [26 USCS § 401(a)(9)].

(2) If the employee's benefit in a defined contribution plan is divided into separate accounts and the beneficiaries with respect to one separate account differ from the beneficiaries with respect to the other separate accounts of the employee under the plan, for years subsequent to the calendar year containing the date as of which the separate accounts were established, or date of death if later, such separate account under the plan is not aggregated with the other separate accounts under the plan in order to determine whether the distributions from such separate account under the plan satisfy section 401(a)(9) [26 USCS § 401(a)(9)]. Instead, the rules in section 401(a)(9) [26 USCS § 401(a)(9)] separately apply to such separate account under the plan. However, the applicable distribution period for each such separate account is determined disregarding the other beneficiaries of the employee's benefit only if the separate account is established on a date no later than the last day of the year following the calendar year of the employee's death. For example, if, in the case of a distribution described in section 401(a)(9)(B)(iii) and (iv) [26 USCS § 401(a)(9)(B)(iii) and (iv)], the only beneficiary of a separate account under the plan established on a date no later than the end of the year following the calendar year of the employee's death is the employee's surviving spouse, and beneficiaries other than the surviving spouse are designated with respect to the other separate accounts with respect to the employee, distribution of the spouse's separate account under the plan need not commence until the date determined under the first sentence in A-3(b) of § 1.401(a)(9)-3, even if distribution of the other separate accounts under the plan must commence at an earlier date.

Similarly, in the case of a distribution after the death of an employee to which section 401(a)(9)(B)(i) [26 USCS § 401(a)(9)(B)(i)] does not apply, distribution from a separate account of an employee established on a date no later than the end of the year following the year of the employee's death may be made over a beneficiary's life expectancy in accordance with section 401(a)(9)(B)(iii) and (iv) [26 USCS § 401(a)(9)(B)(iii) and (iv)] even though distributions from other separate accounts under the plan with different beneficiaries are being made in accordance with the 5-year rule in section 401(a)(9)(B)(ii) [26 USCS § 401(a)(9)(B)(ii)].

(3) A portion of an employee's account balance under a defined contribution plan is permitted to be used to purchase an annuity contract while another portion stays in the account. In that case, the remaining account under the plan must be distributed in accordance with § 1.401(a)(9)-5 in order to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] and the annuity payments under the annuity contract must satisfy § 1.401(a)(9)-6 in order to satisfy section 401(a)(9) [26 USCS § 401(a)(9)].

(b) Defined benefit plan. The rules of paragraph (a)(2) and (3) of this A-2 also apply to benefits under a defined benefit plan where the benefits under the plan are separated into separate identifiable components which are separately distributed.

 Q-3. What are separate accounts for purposes of section 401(a)(9) [26 USCS § 401(a)(9)]?

A-3. For purposes of section 401(a)(9) [26 USCS § 401(a)(9)], separate accounts in an employee's account are separate portions of an employee's benefit reflecting the separate interests of the employee's beneficiaries under the plan as of the date of the employee's death for which separate accounting is maintained. The separate accounting must allocate all post-death investment gains and losses, contributions, and forfeitures, for the period prior to the establishment of the separate accounts on a pro rata basis in a reasonable and consistent manner among the separate accounts. However, once the separate accounts are actually established, the separate accounting can provide for separate investments for each separate account under which gains and losses from the investment of the account are only allocated to that account, or investment gain or losses can continue to be allocated among the separate accounts on a pro rata basis. A separate accounting must allocate any post-death distribution to the separate account of the beneficiary receiving that distribution.

Q-4. If a distribution is required to be made to an employee by section 401(a)(9)(A) [26 USCS § 401(a)(9)(A)] or is required to be made to a surviving spouse under section 401(a)(9)(B) [26 USCS § 401(a)(9)(B)], must the distribution be made even if the employee, or spouse where applicable, fails to consent to a distribution while a benefit is immediately distributable?

A-4. Yes, section 411(a)(11) [26 USCS § 411(a)(11)] and section 417(e) [26 USCS § 417(e)] (see §§ 1.411(a)(11)-1(c)(2) and 1.417(e)-1(c)) require employee and spousal consent to certain distributions of plan benefits while such benefits are immediately distributable. If an employee's normal retirement age is later than the employee's required beginning date and, therefore, benefits are still immediately distributable, the plan must, nevertheless, distribute plan benefits to the employee (or where applicable, to the spouse) in a manner that satisfies the requirements of section 401(a)(9) [26 USCS § 401(a)(9)]. Section 401(a)(9) [26 USCS § 401(a)(9)] must be satisfied even though the employee (or spouse, where applicable) fails to consent to the distribution. In such a case, the plan may distribute in the form of a qualified joint and survivor annuity (QJSA) or in the form of a qualified preretirement survivor annuity (QPSA), as applicable, and the consent requirements of sections 411(a)(11) and 417(e) [26 USCS §§ 411(a)(11) and 417(e)] are deemed to be satisfied if the plan has made reasonable efforts to obtain consent from the employee (or spouse if applicable) and if the distribution

otherwise meets the requirements of section 417 [26 USCS § 417]. If, because of section 401(a)(11)(B) [26 USCS § 401(a)(11)(B)], the plan is not required to distribute in the form of a QJSA to a employee or a QPSA to a surviving spouse, the plan may distribute the required minimum distribution amount to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] and the consent requirements of sections 411(a)(11) and 417(e) [26 USCS §§ 411(a)(11) and 417(e)] are deemed to be satisfied if the plan has made reasonable efforts to obtain consent from the employee (or spouse if applicable) and if the distribution otherwise meets the requirements of section 417 [26 USCS § 417].

Q-5. Who is an employee's spouse or surviving spouse for purposes of section 401(a)(9) [26 USCS § 401(a)(9)]?

A-5. Except as otherwise provided in A-6(a) of this section (in the case of distributions of a portion of an employee's benefit payable to a former spouse of an employee pursuant to a qualified domestic relations order), for purposes of section 401(a)(9) [26 USCS § 401(a)(9)], an individual is a spouse or surviving spouse of an employee if such individual is treated as the employee's spouse under applicable state law. In the case of distributions after the death of an employee, for purposes of determining whether, under the life expectancy rule in section 401(a)(9)(B)(iii) and (iv) [26 USCS § 401(a)(9)(B)(iii) and (iv)], the provisions of section 401(a)(9)(B)(iv) [26 USCS § 401(a)(9)(B)(iv)] apply, the spouse of the employee is determined as of the date of death of the employee.

Q-6. In order to satisfy section 401(a)(9) [26 USCS § 401(a)(9)], are there any special rules which apply to the distribution of all or a portion of an employee's benefit payable to an alternate payee pursuant to a qualified domestic relations order as defined in section 414(p) [26 USCS § 414(p)] (QDRO)?

A-6. (a) A former spouse to whom all or a portion of the employee's benefit is payable pursuant to a QDRO will be treated as a spouse (including a surviving spouse) of the employee for purposes of section 401(a)(9) [26 USCS § 401(a)(9)], including the minimum distribution incidental benefit requirement, regardless of whether the QDRO specifically provides that the former spouse is treated as the spouse for purposes of sections 401(a)(11) and 417 [26 USCS §§ 401(a)(11) and 417].

(b)(1) If a QDRO provides that an employee's benefit is to be divided and a portion is to be allocated to an alternate payee, such portion will be treated as a separate account (or segregated share) which separately must satisfy the requirements of section 401(a)(9) [26 USCS § 401(a)(9)] and may not be aggregated with other separate accounts (or segregated shares) of the employee for purposes of satisfying section 401(a)(9) [26 USCS § 401(a)(9)]. Except as otherwise provided in paragraph (b)(2) of this A-6, distribution of such separate account allocated to an alternate payee pursuant to a QDRO must be made in accordance with section 401(a)(9) [26 USCS § 401(a)(9)]. For example, in general, distribution of such account will satisfy section 401(a)(9)(A) [26 USCS § 401(a)(9)(A)] if required minimum distributions from such account during the employee's lifetime begin not later than the employee's required beginning date and the required minimum distribution is determined in accordance with § 1.401(a)(9)-5 for each distribution calendar year (using an applicable distribution period determined under A-4 of § 1.401(a)(9)-5 for the employee in the distribution calendar year either using the Uniform Lifetime Table in A-2 of § 1.401(a)(9)-9 or using the joint life expectancy of the employee and a spousal alternate payee in the distribution calendar year if the spousal alternate payee is more than 10 years younger than the employee). The determination of whether distribution from such account after the death of the employee to the alternate payee will be made in accordance with section 401(a)(9)(B)(i) [26 USCS § 401(a)(9)(B)(i)] or section

401(a)(9)(B)(ii) or (iii) and (iv) [26 USCS § 401(a)(9)(B)(ii) or (iii) and (iv)] will depend on whether distributions have begun as determined under A-6 of § 1.401(a)(9)-2 (which provides, in general, that distributions are not treated as having begun until the employee's required beginning date even though payments may actually have begun before that date). For example, if the alternate payee dies before the employee and distribution of the separate account allocated to the alternate payee pursuant to the QDRO is to be made to the alternate payee's beneficiary, such beneficiary may be treated as a designated beneficiary for purposes of determining the minimum distribution required from such account after the death of the employee if the beneficiary of the alternate payee is an individual and if such beneficiary is a beneficiary under the plan or specified to or in the plan. Specification in or pursuant to the QDRO is treated as specification to the plan.

(2) Distribution of the separate account allocated to an alternate payee pursuant to a QDRO will satisfy the requirements of section 401(a)(9)(A)(ii) [26 USCS § 401(a)(9)(A)(ii)] if such account is to be distributed, beginning not later than the employee's required beginning date, over the life of the alternate payee (or over a period not extending beyond the life expectancy of the alternate payee). Also, if the plan permits the employee to elect whether distribution upon the death of the employee will be made in accordance with the 5-year rule in section 401(a)(9)(B)(ii) [26 USCS § 401(a)(9)(B)(ii)] or the life expectancy rule in section 401(a)(9)(B)(iii) and (iv) [26 USCS § 401(a)(9)(B)(iii) and (iv)] pursuant to A-4(c) of § 1.401(a)(9)-3, such election is to be made only by the alternate payee for purposes of distributing the separate account allocated to the alternate payee pursuant to the QDRO. If the alternate payee dies after distribution of the separate account allocated to the alternate payee pursuant to a QDRO has begun (determined under A-6 of § 1.401(a)(9)-2) but before the employee dies, distribution of the remaining portion of that portion of the benefit allocated to the alternate payee must be made in accordance with the rules in § 1.401(a)(9)-5 or 1.401(a)(9)-6 for distributions during the life of the employee. Only after the death of the employee is the amount of the required minimum distribution determined in accordance with the rules of section 401(a)(9)(B) [26 USCS § 401(a)(9)(B)].

(c) If a QDRO does not provide that an employee's benefit is to be divided but provides that a portion of an employee's benefit (otherwise payable to the employee) is to be paid to an alternate payee, such portion will not be treated as a separate account (or segregated share) of the employee. Instead, such portion will be aggregated with any amount distributed to the employee and will be treated as having been distributed to the employee for purposes of determining whether section 401(a)(9) [26 USCS § 401(a)(9)] has been satisfied with respect to that employee.

Q-7. Will a plan fail to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] merely because it fails to distribute an amount otherwise required to be distributed by section 401(a)(9) [26 USCS § 401(a)(9)] during the period in which the issue of whether a domestic relations order is a QDRO is being determined?

A-7. A plan will not fail to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] merely because it fails to distribute an amount otherwise required to be distributed by section 401(a)(9) [26 USCS § 401(a)(9)] during the period in which the issue of whether a domestic relations order is a QDRO is being determined pursuant to section 414(p)(7) [26 USCS § 414(p)(7)], provided that the period does not extend beyond the 18-month period described in section 414(p)(7)(E) [26 USCS § 414(p)(7)(E)]. To the extent that a distribution otherwise required under section 401(a)(9) [26 USCS § 401(a)(9)] is not made during this period, any segregated amounts, as defined in section 414(p)(7)(A) [26 USCS § 414(p)(7)(A)], will be treated as though the amounts are not vested during the period and any distributions with respect to such amounts must be made

under the relevant rules for nonvested benefits described in either A-8 of § 1.401(a)(9)-5 or A-6 of § 1.401(a)(9)-6, as applicable.

Q-8. Will a plan fail to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] where an individual's distribution from the plan is less than the amount otherwise required to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] because distributions were being paid under an annuity contract issued by a life insurance company in state insurer delinquency proceedings and have been reduced or suspended by reasons of such state proceedings?

A-8. A plan will not fail to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] merely because an individual's distribution from the plan is less than the amount otherwise required to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] because distributions were being paid under an annuity contract issued by a life insurance company in state insurer delinquency proceedings and have been reduced or suspended by reasons of such state proceedings. To the extent that a distribution otherwise required under section 401(a)(9) [26 USCS § 401(a)(9)] is not made during the state insurer delinquency proceedings, this amount and any additional amount accrued during this period will be treated as though such amounts are not vested during the period and any distributions with respect to such amounts must be made under the relevant rules for nonvested benefits described in either A-8 of § 1.401(a)(9)-5 or A-6 of § 1.401(a)(9)-6, as applicable.

Q-9. Will a plan fail to qualify as a pension plan within the meaning of section 401(a) [26 USCS § 401(a)] solely because the plan permits distributions to commence to an employee on or after April 1 of the calendar year following the calendar year in which the employee attains age 70 1/2 even though the employee has not retired or attained the normal retirement age under the plan as of the date on which such distributions commence?

A-9. No, a plan will not fail to qualify as a pension plan within the meaning of section 401(a) [26 USCS § 401(a)] solely because the plan permits distributions to commence to an employee on or after April 1 of the calendar year following the calendar year in which the employee attains age 70 1/2 even though the employee has not retired or attained the normal retirement age under the plan as of the date on which such distributions commence. This rule applies without regard to whether the employee is a 5-percent owner with respect to the plan year ending in the calendar year in which distributions commence.

Q-10. Is the distribution of an annuity contract a distribution for purposes of section 401(a)(9) [26 USCS § 401(a)(9)]?

A-10. No, the distribution of an annuity contract is not a distribution for purposes of section 401(a)(9) [26 USCS § 401(a)(9)].

Q-11. Will a payment by a plan after the death of an employee fail to be treated as a distribution for purposes of section 401(a)(9) [26 USCS § 401(a)(9)] solely because it is made to an estate or a trust?

A-11. A payment by a plan after the death of an employee will not fail to be treated as a distribution for purposes of section 401(a)(9) [26 USCS § 401(a)(9)] solely because it is made to an estate or a trust. As a result, the estate or trust which receives a payment from a plan after the death of an employee need not distribute the amount of such payment to the beneficiaries of the estate or trust in accordance with section 401(a)(9)(B) [26 USCS § 401(a)(9)(B)]. Pursuant to A-3 of § 1.401(a)(9)-4, an estate may not be a designated beneficiary. Thus, pursuant to A-4 of § 1.401(a)(9)-3, distribution to the estate must satisfy the 5-year rule in section 401(a)(9)(B)(iii) [26 USCS § 401(a)(9)(B)(iii)] if the distribution to the employee had not begun (as defined in A-6 of § 1.401(a)(9)-2) as of the employee's date of death. However, see A-5 and A-6 of § 1.401(a)(9)-4 for provisions under which beneficiaries of a trust with respect to the trust's interest

in an employee's benefit are treated as having been designated as beneficiaries of the employee under the plan.

Q-12. Will a plan fail to satisfy section 411(d)(6) [26 USCS § 411(d)(6)] if the plan is amended to eliminate the availability of an optional form of benefit to the extent that the optional form does not satisfy section 401(a)(9) [26 USCS § 401(a)(9)]?

A-12. No, pursuant to section 411(d)(6)(B) [26 USCS § 411(d)(6)(B)], a plan will not fail to satisfy section 411(d)(6) [26 USCS § 411(d)(6)] merely because the plan is amended to eliminate the availability of an optional form of benefit to the extent that the optional form does not satisfy section 401(a)(9) [26 USCS § 401(a)(9)]. (See also A-3 of § 1.401(a)(9)-1, which requires a plan to provide that, notwithstanding any other plan provision, it will not distribute benefits under any option that does not satisfy section 401(a)(9) [26 USCS § 401(a)(9)].)

Q-13. Is a plan disqualified merely because it pays benefits under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA)?

A-13. No, even though the distribution requirements added by TEFRA were retroactively repealed by the Tax Reform Act of 1984 (TRA of 1984), the transitional election rule in section 242(b) of TEFRA was preserved. Satisfaction of the spousal consent requirements of section 417(a) and (e) [26 USCS § 417(a) and (e)] (added by the Retirement Equity Act of 1984) will not be considered a revocation of the pre-1984 designation. However, sections 401(a)(11) and 417 [26 USCS §§ 401(a)(11) and 417] must be satisfied with respect to any distribution subject to those sections. The election provided in section 242(b) of TEFRA is hereafter referred to as a section 242(b)(2) election.

Q-14. If an amount is transferred from one plan (transferor plan) to another plan (transferee plan), may the transferee plan distribute the amount transferred in accordance with a section 242(b)(2) election made under either the transferor plan or under the transferee plan?

A-14. (a) If an amount is transferred from one plan (transferor plan) to another plan (transferee plan), the amount transferred may be distributed in accordance with a section 242(b)(2) election made under the transferor plan if the employee did not elect to have the amount transferred and if the amount transferred is separately accounted for by the transferee plan. However, only the benefit attributable to the amount transferred, plus earnings thereon, may be distributed in accordance with the section 242(b)(2) election made under the transferor plan. If the employee elected to have the amount transferred, the transfer will be treated as a distribution and rollover of the amount transferred for purposes of this section.

(b) In the case in which an amount is transferred from one plan to another plan, the amount transferred may not be distributed in accordance with a section 242(b)(2) election made under the transferee plan. If a section 242(b)(2) election was made under the transferee plan, the amount transferred must be separately accounted for. If the amount transferred is not separately accounted for under the transferee plan, the section 242(b)(2) election under the transferee plan is revoked and section 401(a)(9) [26 USCS § 401(a)(9)] will apply to subsequent distributions by the transferee plan.

(c) A merger, spinoff, or consolidation, as defined in § 1.414(l)-1(b), will be treated as a transfer for purposes of the section 242(b)(2) election.

Q-15. If an amount is distributed by one plan (distributing plan) and rolled over into another plan (receiving plan), may the receiving plan distribute the amount rolled over in accordance with a section 242(b)(2) election made under either the distributing plan or the receiving plan?

A-15. No, if an amount is distributed by one plan (distributing plan) and rolled over into another plan (receiving plan), the receiving plan must distribute the amount rolled over in accordance with section 401(a)(9) [26 USCS § 401(a)(9)] whether or not the employee made a section 242(b)(2) election under the distributing plan. Further, if the amount rolled over was not distributed in accordance with the election, the election under the distributing plan is revoked and section 401(a)(9) [26 USCS § 401(a)(9)] will apply to all subsequent distributions by the distributing plan. Finally, if the employee made a section 242(b)(2) election under the receiving plan and such election is still in effect, the amount rolled over must be separately accounted for under the receiving plan and distributed in accordance with section 401(a)(9) [26 USCS § 401(a)(9)]. If amounts rolled over are not separately accounted for, any section 242(b)(2) election under the receiving plan is revoked and section 401(a)(9) [26 USCS § 401(a)(9)] will apply to subsequent distributions by the receiving plan.

Q-16. May a section 242(b)(2) election be revoked after the date by which distributions are required to commence in order to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] and this section of the regulations?

A-16. Yes, a section 242(b)(2) election may be revoked after the date by which distributions are required to commence in order to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] and this section of the regulations. However, if the section 242(b)(2) election is revoked after the date by which distributions are required to commence in order to satisfy section 401(a)(9) [26 USCS § 401(a)(9)] and this section of the regulations and the total amount of the distributions which would have been required to be made prior to the date of the revocation in order to satisfy section 401(a)(9) [26 USCS § 401(a)(9)], but for the section 242(b)(2) election, have not been made, the plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which was required to have been distributed to satisfy the requirements of section 401(a)(9) [26 USCS § 401(a)(9)] and continue distributions in accordance with such requirements.