

Retirement Planning Opportunities

New Rules for Normal Retirement Dates

Final Regulations on the Minimum “Normal Retirement Age” & In-Service Distributions

IRS has issued final regulations on “normal retirement dates” as well as on some in-service distributions. These final regulations are generally effective on May 22, 2007 with later effective dates for government plans and some union.

Safe Harbor Normal Retirement Age - At Least Age 62

A plan’s normal retirement age can not be earlier than the earliest age that is a typical retirement age for the plan sponsor’s industry. A retirement age of at least age 62 satisfies the normal retirement age safe harbor.

A normal retirement age of the later of age 62 or the anniversary of five years of participation also satisfies the retirement age safe harbor.

Latest Retirement Age – Age 65 & 5 Years of Participation

These new rules do not change the requirement that any plans that are subject to Code Section 411 vesting rules must have a normal retirement age no later than: the later of age 65 or the anniversary of the anniversary of 5 years of participation.

Normal Retirement Ages – Ages 55 to 62 Acceptable Only if Typical for Industry

For normal retirement ages between age 62 and age 55, it is generally

Maximum Normal Retirement Age

Max. Normal Retirement Age	Age 65 with 5 Years Participation
Minimum Normal Retirement Age	
Safe Harbor Retirement Age	At Least Age 62 or Age 62 with 5 Years Participation
Age 55 to 62	Only Allowed if Typical Retirement Age for Industry
Lower Than Age 55	Only if Allowed by IRS. IRS Allows Age 50 for Police, Firemen, and Emergency Medical Service Workers

expected that the IRS will accept good faith determination of the typical retirement age for the employer’s industry as long as the determination is reasonable under the facts and circumstances.

Normal Retirement Ages Below Age 55

A normal retirement age lower than age 55 will only be allowed in a qualified retirement plan if the IRS decides it is acceptable.

The IRS will allow a normal retirement age as low as age 50 for “qualified public safety employees”. A “qualified public safety employee” is any employee of a state or other political entity providing police protection or firefighting or emergency medical services to that state or political entity.

In-Service Distributions

The IRS regulations also clarify that a pension plan may make distributions to a participant who has reached his or her normal retirement age even if the participant has not separated from service. Additionally, defined benefit plans and other pension plans can distribute benefits to participants who have reached age 62 even if they have not left the employ of the sponsoring employer.

Where Can I Get More Information?

Please feel free to contact me for additional information on the normal retirement ages or any other retirement issue.

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