

IRS Minimum Retirement Update

Government Affairs at the IAFF have been working on this item for some time. The original effective date was to be in 2009; it was moved back to 2011, and then again to January 1, 2013 – so while this is something that the IAFF is working on, it is not an imminent change.

This regulation will probably not affect individuals' ability to retire. IRS regulations state that, in order for a pension plan to be a "qualified plan," the plan must be "established and maintained ... primarily to provide ... for the payment of ... benefits ... **after** retirement or attainment of normal retirement age." In other words, the plan can't be a subterfuge to funnel pre-tax income to employees who have not retired. If an employee really does retire, however, the plan does not lose its qualified status if it pays the retiree any benefits. In addition, a pension plan can start payment of retirement benefits to a participant after the participant has attained "normal retirement age" even if the participant has not yet left the job.

The issue of "normal retirement age" definition therefore does not, as is mistakenly believed, prevent or prohibit early retirement. (In most cases, it might not affect retirement benefits at all.) The definition only affects individuals who want to take certain retirement benefits prior to leaving employment.

The regulations require a pension plan's normal retirement age "to be an age that is not earlier than the earliest age that is reasonably representative of the typical retirement age for the industry in which the covered workforce is employed." Importantly, it can be as low as age 50, in the case of a plan in which substantially all of the participants are qualified public safety employees. The main regulation, by the way, is found at 26 CFR 1.401(a)-1.

I can't say whether this will impact members in a particular plan without looking at a plan document; and, in fact, it would be much easier for members to simply ask the plan administrator about this. In the case of large retirement plans, many of the plan administrators have information on the normal retirement age issue on their respective web sites. The important thing to remember, however, is that this will not affect the ability of fire fighters to actually retire at age 50.

NCPERS has a pretty good analysis on this issue:
http://www.ncpers.org/News/IRS_NormalAge.asp

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