

411.6B Rollovers of members' accounts.

1. As used in this section, unless the context otherwise requires, and to the extent permitted by the internal revenue service:

a. "Direct rollover" means a payment by the system to the eligible retirement plan specified by the member or the member's surviving spouse, or the member's alternate payee under a marital property order who is the member's spouse or former spouse.

b. (1) "Eligible retirement plan" means any of the following that accepts an eligible rollover distribution from a member, a member's surviving spouse, or a member's alternate payee:

(a) An individual retirement account in accordance with section 408(a) of the federal Internal Revenue Code.

(b) An individual retirement annuity in accordance with section 408(b) of the federal Internal Revenue Code.

(2) In addition, an "eligible retirement plan" includes an annuity plan in accordance with section 403(a) of the federal Internal Revenue Code, or a qualified trust in accordance with section 401(a) of the federal Internal Revenue Code, that accepts an eligible rollover distribution from a member. Effective January 1, 2002, the term "eligible retirement plan" also includes an annuity contract described in section 403(b) of the federal Internal Revenue Code, and an eligible plan under section 457(b) of the federal Internal Revenue Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state that chooses to separately account for amounts rolled over into such eligible retirement plan from the system.

c. "Eligible rollover distribution" means all or any portion of a member's account, except that an eligible rollover distribution does not include any of the following:

(1) A distribution that is one of a series of substantially equal periodic payments, which occur annually or more frequently, made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary, or made for a specified period of ten years or more.

(2) A distribution to the extent that the distribution is required pursuant to section 401(a)(9) of the federal Internal Revenue Code.

(3) The portion of any distribution that is not includible in the gross income of the distributee, determined without regard to the exclusion for net unrealized appreciation with respect to employer securities. Provided, however, that effective January 1, 2002, such distributions may be directly rolled over to an individual retirement account described in federal Internal Revenue Code section 408(a) or 408(b), a qualified defined contribution plan described in federal Internal Revenue Code section 401(a), or a qualified annuity plan described in federal Internal Revenue Code section 403(a), if such plan agrees to separately account for the after-tax amount so rolled over.

(4) A distribution of less than two hundred dollars of taxable income.

2. Effective January 1, 1993, a member or a member's surviving spouse may elect, at the time and in the manner prescribed in rules adopted by the board of trustees, to have the system pay all or a portion of an eligible rollover distribution directly to an eligible retirement plan, specified by the member or the member's surviving spouse, in a direct rollover. If a member or a member's surviving spouse elects a partial direct rollover, the amount of funds elected for the partial direct rollover must equal or exceed five hundred dollars.

3. a. For distributions after December 31, 2009, a nonspouse beneficiary who is a designated beneficiary may roll over all or any portion of the beneficiary's distribution to an individual retirement account the beneficiary establishes for purposes of receiving the distribution by means of a direct rollover. In order to qualify for a rollover under this subsection, the distribution must otherwise satisfy the definition of an eligible rollover distribution. If a nonspouse beneficiary receives a distribution from the system, the distribution is not eligible for a sixty-day rollover.

b. If the member's named beneficiary is a trust, the system may make a direct rollover to an individual retirement account on behalf of the trust, provided the trust satisfies the requirements to be a designated beneficiary within the meaning of Internal Revenue Code section 401(a)(9)(E).

c. A nonspouse beneficiary may not roll over an amount which is a required minimum distribution, as determined under applicable United States treasury regulations and other federal Internal Revenue Service guidance. If the participant dies before the participant's required beginning date and the nonspouse beneficiary rolls over to an individual retirement account the maximum amount eligible for rollover, the beneficiary may elect to use either the five-year rule or the life expectancy rule, pursuant to applicable United States treasury regulations as provided in 26 C.F.R. § 1.401(a)(9)-3, in determining the required minimum distributions from the individual retirement account that receives the nonspouse beneficiary's distribution.

94 Acts, ch 1183, §73; 2004 Acts, ch 1103, §67, 73; 2010 Acts, ch 1061, §180; 2010 Acts, ch 1167, §48

Referred to in §411.6C, 411.23