



## Nonspouse Direct Rollovers Mandatory for 2010 Plan Year

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**PRACTICE AREAS**

Employee Benefits

New Section 402(c)(11) of the Internal Revenue Code was added by the Pension Protection Act of 2006. The new law allows a nonspouse beneficiary to elect a direct rollover of his or her distribution from a qualified plan to an individual retirement account (IRA). The IRA is treated as an inherited IRA of the beneficiary. This distribution was an optional form of distribution for plan years 2007 to 2009. However, nonspouse direct rollovers will be a mandatory option for plan years beginning after 2009. As a result, all qualified plans must allow a nonspouse beneficiary to elect a direct rollover to an IRA for plan years beginning after 2009. In conjunction with a distribution to a spouse following the participant's death or divorce from the spouse, the spouse beneficiary (or if applicable, alternate payee) must be allowed to elect a direct rollover to another qualified plan, if that plan accepts direct rollovers, or to an IRA.