

Retirement savings plan settlement options



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More than 6,200 active and retired letter carriers and their families participate in the United States Letter Carriers Mutual Benefit Association’s (MBA) retirement savings plans (RSP). RSPs are available as traditional individual retirement accounts (IRAs), Roth IRAs, and non-qualified deferred annuity policies.

Both career and non-career letter carriers and their family members use these plans to prepare for a secure financial future. By making contributions while they are employed, they will receive a lifetime of benefits during their retirement years.

As explained in my December 2023 article, the trustees meet each year in December to determine the interest rates for the upcoming year. For 2024, the interest rate will be 3.25 percent for all new accounts and those issued on Form 860 (2015 or newer). This is an increase from 2.80 percent. Your interest rate will remain in effect for 12 months from the time your account is opened, then it will re-rate to the current year’s percentage. The interest rates for all other accounts are unchanged from 2023.

The MBA RSPs provide many settlement options when it is time to start receiving benefits from the policy. The benefit amount will depend upon the age of the annuitant, the amount of money in the plan and the specific option chosen.

The following settlement options are outlined in the MBA RSP policies; however, the MBA may allow other settlement options requested by the annuitant:

- **Life annuity:** Monthly payments will be made to the annuitant as long as they are alive. No further benefits will be paid after the date of the annuitant’s death.
- **Life annuity with five, 10, 15 or 20 year period certain:** Monthly payments will be made for a specified period of five, 10, 15 or 20 years and will continue after the expiration of the specified period as long as the annuitant is alive. If the annuitant dies during the specified period, monthly payments will continue until the end of the period to the beneficiary designated in the supplemental contract.

- **Joint life annuity:** Monthly payments will be made during the joint lifetimes of two annuitants and after the death of one annuitant during the lifetime of the surviving annuitant. The amount of the monthly payments is determined by the ages of the annuitants on the date the supplemental contract is effective.
- **Full cash refund annuity:** Monthly payments will be made as long as the annuitant is alive. At the death of the annuitant, we will pay to the annuitant’s beneficiary the remaining proceeds of the policy.

At the time of choosing a settlement option, some letter carriers decide to forego taking a payment for the rest of their lives, and instead chose a specific dollar amount to be paid each month or a specific number of months (or years) to be paid a monthly benefit. For these options, the annuitant will receive a monthly check for the designated period of time. Upon receiving the full benefits outlined in the supplemental contract, the benefits end.

The RSP settlement options are available to the policy owner at any time. However, any funds distributed from a RSP prior to age 59½ will be subject to an early withdrawal penalty from the IRS.

As life circumstances can change, the choice of a RSP settlement option is not made until the time the policy owner wishes to start receiving the benefits. Prior to the maturity date of a RSP (as defined in each MBA policy), the MBA will send a letter to the policy owner stating the date of maturity. The letter will explain all of the settlement options available.

When a settlement option has been chosen and the monthly benefits begin, the option may not be changed. Therefore, when considering choosing a settlement option, contact the MBA executive office and ask for a list of the monthly benefit amounts that you would receive under each settlement option. Our knowledgeable representatives can provide you with the information to make an informed decision about your supplemental contract payments.

MBA’s retirement savings plans are excellent choices for adding to retirement planning for letter carriers and their families. These plans are not intended for short-term savings. The earlier you begin saving through your MBA RSP, the more money you will have for your retirement years!

For more information about the MBA RSP or any of the MBA products, please call the MBA office toll-free at 800-424-5184, Tuesdays and Thursdays, 8 a.m. to 3:30 p.m., or call 202-638-4318, Monday through Friday, 8 a.m. to 3:30 p.m., all Eastern time. You also can visit our website at nalc.org/mba.