RMD Best Practice:
DTCC Financial Activity Reporting (FAR)

Best Practices for Ensuring Accurate RMD Records in the DTCC FAR File

Problem: Distributors require comprehensive data on withdrawals, associated fees, and taxes to accurately report Required Minimum Distributions (RMDs) to customers. However, carriers are not consistently supplying complete transaction records in the DTCC Financial Activity Reporting (FAR) file for deferred annuities, leaving out critical details that are used to calculate RMDs. This inconsistency results in confusion for customers, financial professionals, and distributors, often leading to time-consuming manual follow-ups via phone and email. As a result, there is an increased risk of missing essential financial information, which can impact customers' RMD obligations.

Solution: To ensure accuracy, it is essential that distributors receive comprehensive records related to RMDs. Consistently including the necessary transactional data in the DTCC FAR file from the carrier will help reduce the need for manual follow-up between distributors and carriers. The carrier can provide a complete data record by leveraging existing data elements within the current FAR layout.

Required RMD Information Breakdown
(see Appendix A for business critical data within the DTCC FAR layout and Appendix C for standard usage)

1. **Withdrawals**:

   o **Types**: Specify the types of withdrawals made (e.g., standard withdrawals, systematic withdrawals).

   o **Amounts**: Detail the amounts associated with each type of withdrawal.

   o **Payment Method**: Indicate the method of payment for withdrawals (e.g., DTCC Settlement, check, electronic transfer).

   o **Credits**: Include detailed records of any reversal transactions that credit back amounts for withdrawals.

   o **Reconciliation**: The contract value presented in the POV should be reconcilable by the transaction activity presented in the FAR file.

2. **Withholding**:

   o **Types**: Identify the types of withholdings applied (federal or state).

   o **Amounts**: Provide the amounts associated with each type of withholding.

   o **Credits**: Document any reversal transactions that credit back amounts for withholdings.

   o **Reconciliation**: Each FAR record of withdrawals will have withholding content when applicable.

3. **Charges & Benefits (see Appendix B Transaction Charges/Benefits data within the DTCC FAR layout and Appendix C for standard usage)**:

   o **Types**: List the types of fees or credits that may impact RMDs (e.g., administrative fees, transaction fees, market value adjustment).

   o **Amounts**: Include the amounts charged for each type of fee.

   o **Credits**: Record any reversal transactions that credit back associated fees.

4. **Effective Tax Year**:

   o **Reported Tax Year**: Specify the tax year applicable for each transaction, ensuring clarity on which year's RMD regulations are being referenced.

   o **Reconciliation**: Each FAR record of withdrawals will have a tax year included.

5. **Money Settlement** (Optional) **(see Appendix D for standard use):**

   o If both parties support DTCC Money Settlement (STL), the preferred method of settlement for RMDs is STL. STL provides a record of the transaction in addition to money settlement.

Implementation Steps

1. **Validation**: Parties establish a validation process to confirm all required RMD-related data is included, properly categorized, and free from discrepancies.

2. **Feedback Loop**: Implement a feedback system that allows distributors to report discrepancies, missing data, or issues with the information received, facilitating continuous improvement (email, phone, etc.).

3. **Measures of Success and Accountability**: IRI will maintain a record of carrier firms that have adopted the best practice through its Digital First for Annuities Dashboard. IRI will work with the DTCC to construct parameters

Summary: By implementing these best practices, which call for leveraging existing data elements, carriers can provide comprehensive RMD-related transaction information in the DTCC FAR file, enabling distributors to manage RMDs more effectively and efficiently. Focusing on this key data will streamline processes and enhance the overall experience.

Appendix A (business critical data needed when reporting RMDs in FAR):

For any transactions that could impact the RMD withdrawal amount (taxable event), distributors should receive a FAR transaction record that falls into one of the below buckets (4305)

Money Movement	Transaction Identifier (DTCC Item 5057)	Transaction Amount (DTCC Item 5055)	Payment Type (DTCC Item 5140)	Transaction Charges/Benefits Qualifier (DTCC Item 5059)	Transaction Charges/Benefits (DTCC Item 5058)	Effective Tax Year (DTCC Item 5063)
Money leaving contract	33 – Full Surrender	Value of transaction	DS – Distribution	ST – State Tax (when applicable) HL – Federal Tax (when applicable)	Value of respective qualifier for transaction	YYYY of transaction.
	44 – Minimum Required Distribution Payout					
	48 – Partial Surrender					
	50 – Systematic Withdrawal					
	30 – FreeLook					
	119 – Reinstatement (Reversal)					
Money added to contract	133 – Full Surrender (Reversal)					
	145 – Minimum Required Distribution Payout (Reversal)					
	148 – Partial Surrender (Reversal)					
	192 – Systematic Withdrawal (Reversal)					
	182 – FreeLook (Reversal)					
	19 – Reinstatement					

Appendix B (Transaction Charges/Benefits Qualifier Code List):

Transaction Charges/Benefits Qualifier Code List (FAR 5059)	
13	Adjustment
14	Administrative Fee
17	Asset Allocation Transfer
18	Asset Rebalancing Transfer
61	Back-End Load
BR	Bonus Recapture
19	Cancellation
62	Contingent Deferred Sales Charge
125	Cost of Insurance
22	DCA Transfer
23	Death Claim
63	Deferred Sales Charge
EM	Employee Amount
CA	Employer Amount
CM	Employer Match
HL	Federal Tax
30	Free Look Premium Cancellation
31	Free Look Value Cancellation
65	Front End Load
16	Full Annuitization
33	Full Surrender
81	Index Crediting
37	Interest Charge
27	Interest Crediting
42	Loan Initiation
43	Loan Remittance
729	Loan Set Up Fee
66	Market Value Adjustment
64	Marketing & Acquisition Fee
45	Minimum Required Distribution Payout
OB	Optional Benefit Rider Fee
47	Partial Annuitization
48	Partial Surrender
15	Policy Fee - Name Change only - changed annual to policy in April 2017
75	Premium – New
78	Premium – Sub
PB	Premium Based Charge
67	Premium Tax Collected On Surrender
68	Premium Tax Paid Upfront
173	Renewal
RR	Rider Reduction/Adjustment Fee
97	Short Term Trading Fees
ST	State Tax
20	Strategy Transaction Fee
99	Substantial Equal Payment
SR	Surrender
50	Systematic Withdrawal
TF	Termination Fee
70	Transaction Fee
80	Transfer
34	Transfer Values (Funds)

Appendix C (FAR Standard Usage provided by DTCC)

Transaction Processing Reporting & Settlement

Once the carrier processes the Required Minimum Distribution (RMD) liquidation, it should be reported on DTCC's Financial Activity Reporting (FAR) file, the recommendation looping structure is presented below for the carrier to use and report the distribution from the annuity contract, the Transaction Identifier (item 5057) of **(44) Minimum Required Distribution Payout.** Additionally, by sending the Contract Payee/Payor (43/08) and Payment Details (43/09) records, it will determine how the money settlement is occurring back to the IRA client or distributor on behalf of the IRA client.

Business Category: Financial Withdrawal – One Time Distribution
Does Include Money Movement (in/out) and will impact the Units/Values within the policy/contract.
Transaction Identifiers Included under this scenario: 44 – Minimum Required Distribution 145 – Minimum Required Distribution (Reversal)

FAR Recommended Looping Structure
40 - Submitting Header - Mandatory
42 - Contract Header - Mandatory
43/01 - Contract Record - Mandatory
43/02 - Contract Entity Record - Required
43/03 - Contract Entity Address Record - Optional
43/04 - Contract Agent Record - Optional
43/05 - Contract Transaction Record - Mandatory
43/06 - Contract Underlying Assets Record – Required
43/07 - Contract Payee/Payor Record - Required
43/08 - Contract Payee/Payor Payment Details Record – Required
43/09 - Contract Payee/Payor Address Record – Optional

FAR Contract Record 43/01				
Contract Number	5021	M	Policy1234	
IRS Qualification Code	5023	M	2000	IRA
CUSIP Number	5025	M	CUSIP1009	
Contract Status	5026	M	VA	ACTIVE
Contract Date – 1	5027	M	20200419	Repeats up to 5 dates
Contract Date Qualifier – 1	5028	M	092	ISSUE EFFECTIVE
Product Type	5139	M	FIX	FIXED ANNUITY
FAR Contract Record 43/02				
Contract Number	5021	M	Policy1234	
Contract Entity Type Code	5029	M	1	PERSON
Contract Entity Code	5030	M	OK	OWNER/ANNUITANT
Contract Entity N/NN Name Indicator	5031	M	N	NATURAL
Contract Entity NNN Name	5032	OC		
Contract Entity Last Name	5035	OC	SMITH	
Contract Entity First Name	5033	OC	JAMES	
Contract Entity Address Record 43/03				
Contract Agent Record 43/04				
Contract Transaction Record 43/05				
Contract Number	5021	M	Policy1234	
Distributor Transaction Identifier	5054	O	04102023ADB1	If the client is requesting via the distributor, then this would be populated with their ID
Transaction Amount	5055	M	00000000000250000	$2,500.00
Transaction Amount D/C Indicator	5055	M	D	DEBIT
Transaction Source Indicator	5127	O		
Transaction Identifier	5057	M	44	Minimum Required Distribution Payout
Transaction Charges/Benefits - 1	5058	O	00000000000025000	$250.00
Transaction Charges/Benefits D/C Indicator - 1	5058	OC	C	
Transaction Charges/Benefits Qualifier - 1	5059	OC	HL	Federal Tax

Transaction Charges/Benefits - 1	5058	O	00000000000005000	$50.00
Transaction Charges/Benefits D/C Indicator - 1	5058	OC	C	
Transaction Charges/Benefits Qualifier - 1	5059	OC	ST	State Tax
Application Control Number	5062	O		
Payment Type	5140	O	DS	Distribution
Contract Entity Relation Pointer	5148	OC		
Transaction Date (Effective)	5060	M	20240410	
Transaction Date (Process)	5061	M	20240410	
Tax Year	5063	O	2023	Tax Year for RMD Payout
Contract Underlying Assets Record 43/06				
Contract Number	5021	M	Policy1234	
Fund Identifier	5064	O	CUSIP1009FIXED1000	9+5+5 (Funds Coming of 1 fixed acct)
Fund Amount	5066	M	00000000000250000	$2,500.00
Fund Amount D/C Indicator	5066	M	D	DEBIT
MVA Amount	5067	O		
MVA Amount D/C Indicator	5067	M		
Employer Amount	5068	O		Repeats up to 6 times
Employer Amount D/C Indicator	5068	OC		Repeats up to 6 times
Employee Amount	5069	OC		Repeats up to 6 times
Employee Amount D/C Indicator	5069	O		
Fund Surrender Charges	5070	O		
Fund Surrender D/C Indicator	5070	OC		
Fund Administrative Charges	5071	M	00000000000000000	$0.00
Fund Administrative Charges D/C Indicator	5071	M	D	DEBIT
Fund Unit Price	5072	O		
Fund Units	5073	O		
Fund Units D/C Indicator	5073	OC		
Mutual Fund CUSIP Number	5126	O		
Deposit Period Start Date	5075	O		
Deposit Period End Date	5076	OC		

Deposit Period Maturity Date	5077	OC		
Deposit Period Rate	5078	O		
Deposit Period Rate Type	5079	OC		
Deposit Period Duration	5081	O		
Deposit Period Duration Qualifier	5080	OC		
Employer Amount Identifier Qualifier	5112	OC		
Employee Amount Identifier Qualifier	5113	OC		
Fund Account Number	5145	O		
Contract Payee & Payor Record 43/07				
Contract Number	5021	M	Policy1234	
Payee/Payor Entity Type Code	5082	M	1	PERSON
Payee/Payor Entity Role	5083	M	PE	PAYEE
Payee/Payor NNN Entity Name Indicator	5084	M	N	NATURAL
Payee/Payor Non-Natural Entity Name	5085	OC		
Payee/Payor Non-Natural Last Name	5088	OC	JONES	
Payee/Payor Non-Natural First Name	5086	O	CARTER	
Contract Payee & Payor Payment Details Record 43/08				
Contract Number	5021	M	Policy1234	
Payee/Payor Payment Method Net Amount	5094	M	00000000000220000	$2200.00
Payee/Payor Payment Method Net Amount D/C	5114	M	C	Credit (on STL) to Client
Payment Source Amount Qualifier	5115	M	H8	Owner
Payee/Payor Payment Method	5093	O	CLH	Clearinghouse (DTCC Settlement)
Contract Payee & Payor Address Record 43/09				

Appendix D (STL standard usage provided by the DTCC):

Currently, there are different Transaction Types that are available to settle monies between the insurance carrier and the distribution on behalf of qualified contract owners. DTCC's Settlement Processing for Insurance (STL) provides a complete record of the transaction along with money settlement. The example below represents a use case that leverages this service.

Business Category: Partial Withdrawal – RMD Distribution Payout				
Money Movement (in/out) through DTCC STL File				
STL Looping Structure				
60 - Submitting Header - Mandatory				
61 - Contra Header - Mandatory				
62/01 - Contract Settlement Record - Mandatory				
STL Contract Settlement Record				
Transaction Type	2003	M	PW	Partial Withdrawal
Transaction Sub Type	2004	OC	11	Required Minimum Distribution Withdrawal
Policy / Contract Number ID	2007	OC	Policy1234	
CUSIP	2009	OC	CUSIP1009	
Submitting Date	2008	M	20230410	
NSCC Settling Amount D/C Indicator	2095	M	2	Credit
NSCC Settling Amount	2096	M	00000000000220000	$2,200.00
Distributor's Account ID	2010	OC	C	
Distributor's Transaction ID	2013	O	04102023ADB1	If the client is requesting via the distributor, then this would be populated with their ID
Payment Type	2011	OC	DS	Distribution
Relation Role Code	2014	OC	HA	IRA Owner
Partial Identification	2015	OC	1234	IRA Owner's last 4 bytes of SSN
Receiving Policy / Contract Number ID	2016	OC		Not Used
Post TEFRA Amount	2017	O		Not Used
Pre TEFRA Amount	2018	O		Not Used
Cost Basis Not Passed	2019	OC		Not Used
Last Name	2020	OC	Smith	Optional to be populated for this Trans Type
First Name	2021	OC	James	Optional to be populated for this Trans Type