

401(k) Frequently Asked Questions

General FAQs

Q: Who is eligible to participate in Retirement Savings Plan (RSP)?

A: All union and non-union: full-time, part-time and job-share employees.

Q: When may I start my payroll contribution?

A: Vanguard will send you your Personal Identification Number (PIN). After that point, you will be able to enroll.

Q: How do I enroll?

A: Contact Vanguard at 800-523-1188 to establish your payroll contribution level and asset allocation. You may start/stop increase/decrease your payroll contribution or change your asset allocation anytime during the year by contacting [Vanguard](#).

Q: What type of pay is eligible for my payroll contribution?

A: Base Pay, Lump-Sum Pay in Lieu of Merit, Overtime Pay, Group Incentive

Q: When will I receive the company contribution and company match?

A: The company contribution and company match begin the first complete pay period following three months of employment with the company.

Q: What type of pay is eligible for the company contribution and company match?

A: Base Pay, Lump-Sum in Lieu of Merit

Q: When am I vested in the RSP?

A: You are immediately vested in your own contributions to your RSP account. In addition, you are vested in the Company's contributions to your RSP account as soon as they are made (each pay periods).

401(k) Distribution, Separation, and Termination FAQs

Q: Do I have to take a distribution upon separation of employment?

A: No. Separating participants may take a distribution from the RSP, but it is not mandatory. Mandatory distribution occurs only when your account balance is below \$1,000.

Q: When am I required to take a distribution?

A: Generally, the Internal Revenue Service (IRS) requires a participant to take a distribution from the RSP by age 70 ½ (installments are available).

Q: How do I request a distribution of my account?

A: Call Vanguard at 800-523-1188 and request a “Termination Request” package.

Q: When can I take a distribution and how long will it take?

A: Once you return the completed forms to Vanguard, you can expect to receive the proceeds in 7-10 business days.

Q: May I take a partial distribution?

A: Yes. You may request installment payments from your account. Call Vanguard at 800-523-1188.

Q: What options are available to me for distribution of my assets held in Vanguard?

A: You may request a “direct rollover”, where the RSP transfers your assets directly to another qualified plan or an IRA, thus deferring payment or taxes until a later date. OR You may receive installment payments subject to taxes. OR You may elect to receive your distribution in cash; however, 20% of the taxable amount is REQUIRED to be withheld from every distribution when the participant does not elect a direct rollover.

Q: Do I have to use the “direct rollover” method for the entire portion of my assets held at Vanguard?

A: No. You can choose to rollover a portion of your account and receive the remainder in cash (the cash portion would be subject to the 20% withholding tax and possibly a 10% early-withdrawal penalty).

Q: If I choose to take a cash distribution, may I still choose to rollover my assets within 60 days?

A: Yes. However, the cash distribution you received was subject to the 20% withholding tax. In order to rollover the entire amount of your distribution you must come up with the 20% that was withheld.

Q: If I leave my account in the RSP, what will happen to the earnings?

A: Earnings on investments in your account will continue to be invested and tax deferred.

Q: Can I make contributions to the plan after I separate?

A: No. Contributions stop with your last regular paycheck.

Q: Can I redirect my investment allocation after I separate?

A: Yes. Call Vanguard at 800-523-1188 or log on to [Vanguard](#).

Q: What happens to my outstanding loan balance in the RSP upon separation of employment?

A: The RSP will notify you, generally within two weeks of your separation from service. Your options are: You may elect to repay your outstanding loan balance. You generally have 90 days from notification to do so. By repaying your loan, all assets remain in the RSP and tax-deferred until you request a distribution at a later date. OR if the balance is not paid off within the time frame allowed, the loan balance is considered a taxable distribution.

Q: If I choose not to repay my outstanding loan balance, may I choose the “direct rollover” method for the portion of the account remaining at Vanguard?

A: Yes. By rolling over the entire amount remaining at Vanguard, the balance remains tax-deferred until distribution at a later date. However, if you choose not to rollover the entire amount remaining at Vanguard we suggest you call Vanguard to find out the amount (if any) subject to the 20% withholding.

Q: What amount will I be taxed on when I take a distribution?

A: Tax Credit--You will pay taxes on the value of all shares contributed by PNM Resources and all dividend related shares.

Income Tax Savings Account--The 20% withholding tax applies to the entire value of the account since all contributions and earnings were tax deferred.

Company Non-Elective Contribution-- The 20% withholding tax applies to the entire value of the account since all contributions and earnings were tax deferred.

Company Match-- The 20% withholding tax applies to the entire value of the account since all contributions and earnings were tax deferred.

Catch Up Contribution-- The 20% withholding tax applies to the entire value of the account since all contributions and earnings were tax deferred.

IRA--The 20% withholding tax applies to the entire value of the account since all contributions and earnings were tax deferred.

Basic Savings Account--The 20% withholding tax applies only to the earnings portion in this account. Contributions made to this account have already been taxed, therefore, not subject to additional taxes.

Q: How can an employee arrange for a 401(k) rollover to another institution?

A: Call Vanguard at 800-523-1188 or go to [Vanguard](#) to request information to process a rollover. You may need to gather information from the accepting institution also.

Q: How do I know what portion of my contributions are after-tax or before-tax?

A: You may view your current contributions via [PeopleSoft-Savings Summary](#).

You can contact Vanguard at 800-523-1188 and a representative can assist with identifying your after-tax and before-tax balances.

You may also view your account information at [Vanguard](#). After logging in, click PNM RESOURCES, INC. RETIREMENT SAVINGS PLAN, then Source of Contribution.

The following is a list of after-tax sources:

EE Post-1986 After Tax

Tax Credit EE Contrib

TNMP After Tax

EE Pre-1987 After Tax

All others are before-tax contributions.

Q: How much time do I have after leaving PNM Resources to rollover my 401(k) to another institution?

A: If your account balance is less than \$1,000, you have 90 days to make your decision. If your account balance is greater than \$1,000, there is no time limit.

Q: Are there any administrative fees for withdrawals or rollovers?

A: There are no fees.

Q: Is there a 10 percent penalty on withdrawals after age 59½?

A: No.

Q: Please clarify retirement age under the RSP – is it 55 or 59½?

A: Under the RSP, if you attain age 55 or older in the year you separate employment from PNM Resources, you are eligible for retirement under the plan. This means you can take distributions and the withdrawals will not be subject to the early withdrawal 10 percent penalty.

Q: If I am 55 or over and separate from PNM Resources, does the separation create a one-time option for distributions or can I choose to wait two years and then decide to take a distribution?

A: You may wait and take a distribution at any time after your separation of employment at PNM Resources. Taxes are always owed on amounts distributed but there would not be a 10 percent penalty if you were 55 or older during the year you separated from PNM Resources.