polycomp

We Deliver Performance

Frequently Asked Questions
Regarding Automatic Rollover IRAS

Q1. *What kinds of distributions are required to be automatically rolled over to an IRA?*

A1. Effective March 28, 2005, distributions of a participant' s vested account balance of less than $5,000 and more than $1,000, that are made without the participant' s consent (often called " involuntary cash-out distributions"), must be rolled over to an IRA.

Q2. *What is the fiduciary liability with regard to the Automatic Rollover IRAs?*

A2. As long as the Department of Labor' s (DOL) Fiduciary Safe Harbor is satisfied, the fiduciary' s obligations with respect to the participant' s benefit end immediately upon the transfer of the benefit to the IRA.

Q3. *What is the DOL Fiduciary Safe Harbor?*

A3. The Fiduciary Safe Harbor provides guidelines under which the plan sponsor can implement the automatic rollover with the knowledge that his or her fiduciary responsibilities are being satisfied. The Safe Harbor has five conditions. These conditions are:

1.) The amount of the rollover does not exceed $5,000.
2.) The IRA must be a traditional IRA (not a Roth IRA) and either a trust or custodial individual retirement account or an individual retirement annuity. If the IRA is a custodial account, the custodian must be a bank, an insured credit union, or other corporation subject to supervision by the Commissioner of Banking.
3.) There must be a written agreement between the fiduciary and the IRA Provider.
4.) The participants must have been furnished information about the plan' s automatic rollover procedures in the Summary Plan Description.
5.) The selection of the IRA may not result in a prohibited transaction.

Q4. *Can a Trustee use the Automatic Rollover IRAs for other distributions?*

A4. Yes. A Trustee can rollover all "involuntary cash-out" distributions less than $5,000. In addition, a Trustee of a terminated plan can establish Automatic Rollover IRA's for missing participants.

Q5. *How do the automatic rollover rules apply to terminated plans?*

A5. Terminated defined contribution plans and terminated defined benefit plans that are not covered by Title IV of ERISA (PBGC coverage) are subject to the automatic rollover rules.

Q6. *If the vested account balance exceeds $5,000, can the Trustee distribute the benefits of missing participants to an automatic rollover IRA?*

A6. If the terminated plan has no annuity options <u>and</u> the employer does not maintain another defined contribution plan, a terminated defined contribution plan can distribute all benefits, regardless of the value, as involuntary single-sum distributions. If the participant is missing, the DOL encourages the terminated plan to complete the distribution by rolling it to an IRA.

Revised 2009 12

Q7. *Does the qualified retirement plan document need to be amended before the distributions are rolled over to the automatic rollover IRA?*

A7. It depends on the language in the plan document. If the plan is a Polycomp Volume Submitter, the document provides that accounts for missing participants may be rolled over to an IRA and reflects the automatic rollover as the default method of distribution for involuntary cash-outs.

Q8. *Will the plan sponsor have problems under the USA PATRIOT Act of 2001 in establishing an IRA since the participant won't be available to verify his or her identity?*

A8. No. The customer identification and verification requirements of the USA PATRIOT Act of 2001 apply only when the former participant or beneficiary first contacts the bank to assert ownership or exercise control over the account.

Q9. *Who will serve as the Custodian for the Automatic Rollover IRAs?*

A9. Polycomp Trust Company serves as Custodian of the Automatic Rollover IRAs. Polycomp Administrative Services, Inc. is the third party administrator for these accounts. Polycomp Administrative Services, Inc. has also provided third party administration for self-directed IRAs for more than twenty-five years.

Q10. *What is the cost to establish the account?*

A10. The cost to establish the account is $25.

Q11. *How is the $25 fee paid?*

A11. The $25 fee can either be deducted from the account balance of the rollover account or the Trustee can issue a check payable to Polycomp Administrative Services, Inc. to establish the account. If the Trustee elects to pay the setup fees, the Trustee should include the check with the application. If the payment is not included with the application, the setup fee will be automatically deducted from the account.

Q12. *Are there administration fees on the account?*

A12. Yes. The administration fees are $12.50 per quarter. These administration fees will be automatically deducted from the account the first business day of each quarter.

Q13. *Is there a minimum account balance that can be rolled over to the Polycomp Trust Company Automatic Rollover IRA?*

A13. No, there is no minimum account balance for the Automatic Rollover IRA.

Q14. *It appears from the Fiduciary Authorization form and these FAQs that a Trustee cannot establish an automatic rollover IRA for a missing participant with a benefit over $5,000 in a plan that provides an annuity option. Is that correct?*

A14. Yes, that is correct.

polycomp

We Deliver Performance

Q15. As an employer, how should I attempt to locate lost or missing participants before establishing an Automatic Rollover IRA for the participants?

A15. The DOL provides the guidance for fiduciaries that must be followed to locate lost or missing participants. If Polycomp is the Third Party Administrator for your retirement plan, our search includes the following:

a. notification by mail or electronically to the last known address
b. send letter to the participant's last known mailing address, using certified mail, return receipt requested
c. search other databases of the employer or of another plan maintained by the employer, such as group health plans or records of other third party administrators
d. contact the participant's designated beneficiary
e. use the IRS letter forwarding program or the Social Security letter forwarding service
f. use a commercial locator service

Q16. Do you attempt to locate lost or missing participants once the Automatic Rollover IRAs have been established?

A16. Once the IRA has been established for the lost or missing participant, statements are sent quarterly to the last known mailing address. In addition, the missing participant's name and social security number is added to the database of the National Registry of Unclaimed Retirement Benefits (www.unclaimedretirementbenefits.com). At this website former employees can perform a secure nationwide search, at no charge, to determine whether they are entitled to any unpaid retirement benefits.