



Mandatory Distributions

OVERVIEW

Mandatory distribution provisions (AKA force-out, involuntary distribution, mandatory cash-out, etc.) assist Plan Administrators with the reduction of Plan expenses by forcing terminated participants with low vested account balances to take their money out of the Plan.

When mandatory distributions are allowed by the Plan, the Plan document defines the following types of force-out provisions:

Cash-out Threshold

The vested account balance maximum that can be involuntarily distributed to the participant, such as \$1,000.00 or less.

Participants must be notified and be given the opportunity to voluntarily withdraw funds before forcing them out of the Plan.

Rollover Threshold

The vested account balance amounts (or ranges) that can be involuntarily rolled into an Individual Retirement Account (IRA) on behalf of the participant, such as \$1,000.01-\$7,000.00.

Mandatory Distribution Processing Authorization

Automated Mandatory Distribution Services

Empower:

- Generates the AMD report Identifying terminated participants with low vested account balances that meet Plan-defined thresholds outlined above, including participants who meet the criteria but could otherwise be rejected from the AMD process.
- Sends a Mandatory Distribution Letter to impacted participants
 - Outlining the mandatory distribution process
 - Providing instructions for participants to make a voluntary withdrawal if desired
- When participants take no action by the scheduled automated mandatory distribution date, distributes participant account assets according to the Plan's force-out provisions:
- For Plans with a force-out rollover provision, IRA provider options are limited to either:
 - Inspira Financial
 - Empower Automated Rollover IRA
- **NOTE:** When assets are automatically rolled into an IRA as follows and regardless of IRA provider:
 - Roth funds are rolled into a Roth IRA
 - Non-Roth funds are rolled into a Traditional IRA

Plan Administrator Manages Force-Out Provisions

The Plan Administrator retains responsibility for:

- Identifying terminated/severed participants that meet Plan-defined thresholds outlined above.
- **NOTE:** Participant Involuntary Distribution Listing and Participant Data Extract reports are available on the Plan Service Center (PSC) to assist the Plan Administrator with identifying force-out eligible participants.
- Providing the required notification to participants.
- If the Plan has a mandatory rollover provision,
 - Establishing a rollover provider in Empower's recordkeeping system prior to initiating a mandatory rollover.
 - Providing direction indicating which participants are to be rolled into a new IRA administered by that provider.

Auto Portability Services

If the Plan has elected Empower Automated Rollover IRA as the IRA provider with auto-portability services using Portability Services Network, LLC ("PSN"), then a participant's Empower Automatic Rollover IRA account balance automatically rolls into the participant's new retirement account when the following conditions are met:

- Participant enrolls in a new employer-sponsored retirement Plan.
- The new employer is also a participating member of the PSN.
- The participant does not:
 - Opt-out of the auto-rollover process
 - Provide alternate Empower Automated Rollover IRA distribution instructions.

When auto-portability services apply, recordkeepers send participant demographic data to the Retirement Clearing House (RCH) digital hub when:

- A participant's vested account balance has been automatically rolled into a PSN-eligible IRA.
- A participant enrolls in a new employer-sponsored Plan who also participates in PSN
- When a match is made and a participant has an IRA eligible for auto-portability, PSN mails a notification to the participant including:
 - Explanation of auto-portability with PSN
 - Deadline and opt-out instructions to avoid having their IRA automatically rolled into their new retirement account
- If the participant takes no action by the response deadline, then RCH sends the underlying IRA funds to the recordkeeper of the participant's new retirement account to be deposited as a rollover contribution except as follows:
- Roth IRAs are not eligible for portability and those funds stay in the Empower Automatic Rollover Roth IRA until the participant makes an election to rollover to another Roth IRA or take a withdrawal.
- After tax cost basis balances held in a traditional IRA are not PSN eligible.

NOTE: If two recordkeepers match one participant, RCH sends the funds to the Plan with the most recent open account date – regardless of employment status.

The non-discretionary recordkeeping and administrative services described in this Service Overview are general in nature and reflect the standard service offering. Service descriptions are not specific to any plan provision or administration practice. The recordkeeper may agree to provide an alternate service arrangement, as applicable, if separately requested by the Plan Sponsor. FOR ADVISOR/PLAN SPONSOR OR TPA USE ONLY. Not for use with Plan Participants