

Participant Distribution Process

Below is an outline of the retirement plan distribution process for participants who are eligible to take a distribution due to separation of service, retirement, or other qualifying events. This overview is intended to help you understand your responsibilities and what the participant can expect.

Step-by-Step Distribution Process for Profit Sharing and/or Cash Balance Plans

1. Separation of Service Confirmed

- Employer notifies the Third Party Administrator (TPA) of the participant's termination date.
 - Typically provided annually during the annual data collection via the census.
- Accurate employment status and termination date are essential for compliance and timely processing.
 - Please Note: The Profit Sharing and Retirement (Cash Balance) Plans are reviewed and calculated annually after the Plan Year is complete. Therefore, this can be up to 12-18 month delay in the distribution process for eligible participants due to the nature of how the plans are administered and the date of separation.

2. Participant Notification

- The TPA will notify you (employer) if a participant qualifies for a distribution after the annual administration data collection is completed.
- The participant is informed by the employer they are eligible to take a distribution.
 - TPA provides the form to the employer for distribution and completion by the participant.
 - The notification includes distribution options, tax consequences, and required forms.

3. Distribution Request Submitted

- The participant completes the **Distribution Election Form** (see separate instructions to provide to participant), selecting their preferred method:
 - Lump-sum distribution
 - Direct rollover to an IRA or another qualified plan
 - Partial distribution (if allowed by the plan)
- The completed **Distribution Election Form** is returned to the TPA for review and processing of the distribution.
 - Please Note: The **Distribution Election Form** must be completed in full to proceed with the distribution process including all participant information and valid instructions on preferred method of payment, as well as required Employer signatures.

4. Employer Authorization

- Employer (Trustee/Plan Administrator) is required to:
 - Approve the distribution request (sign the **Distribution Election Form** in all locations labeled "Trustee or Plan Administrator")

5. TPA/Recordkeeper Processing

- Once the completed **Distribution Election Form** is sent to the TPA.
 - TPA calculates the final account balance (if not already completed)
 - Tax withholding is determined (based on participant's election and IRS rules). This step is completed via Penchecks.
 - Distribution is processed and payment is issued (e.g., check or direct deposit). This step is completed via Penchecks by the TPA and instructions are sent to the employer/financial advisor.
 - Please Note: This process requires multiple parties in addition to the TPA – parties included, but are not limited to, financial advisor, employer, Penchecks, custodian.
 - Once a completed and accepted distribution form is received by the TPA, payment instructions for Penchecks will be sent within a few business days.
 - Once payment is received by Penchecks, it requires 1-3 business days to process.
 - Distribution payment is sent to the participant per their Distribution Election Form instructions – this process may take 1 business day up to 4-6 weeks (if mailed – dependent upon carrier).

6. Tax Reporting

- The participant will receive IRS Form **1099-R** for the distribution from Penchecks.
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Employer Responsibilities

- Report separations or employment status changes on the annual census
 - Communicate and provide the separated participant their annual statement along with the distribution form with instructions on how to complete the form.
 - Review the completed participant distribution form and sign in the appropriate Plan Administrator/Representative/Trustee locations.
 - Provide the completed distribution form to the TPA for distribution.
 - If the employer does want to be involved in the distribution process, the employer may elect to utilize the Premier Distribution service within Penchecks.
 - There is an additional fee for this service that will be the responsibility of the employer or participant.
 - The employer is responsible for providing the TPA with the requested data to utilize the Premier Distribution service: Participant Name, Email Address, Mailing Address, Telephone Number.
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Additional Notes

- Distributions before age 59½ may be subject to a 10% IRS penalty unless an exception applies.
 - Rollover options allow participants to defer taxation.
 - For account balances under \$7,000, automatic cash-out or IRA rollover rules may apply.
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