



PenChecks Statement of Services and Fees

A. Distribution Services

- i. Full Service (Check Plus) \$50 per Participant** - Outsource the entire distribution process to PenChecks. The TPA/Sponsor registers the Sponsor and Plan online with PenChecks and direct Plan assets and basic Participant data (i.e. name, SSN, DOB, address, etc) to PenChecks. PenChecks will:
- ✓ Notify TPA/Sponsor upon receipt of Plan assets.
 - ✓ Notify any Plan Broker/RIA that is registered with PenChecks of the pending distribution.
 - ✓ Notify Participant of pending distribution and direct them to PenChecks Participant Benefit Election Website. When disclosure to Participants of specific alternative benefits are required to be included in the Participant notice, PenChecks must be provided all such benefits and PenChecks is not responsible for the calculation of any such benefits.
 - ✓ Provide required IRS 402(f) Special Tax Notice.
 - ✓ Provide access to the PenChecks Benefit Election Website where Participants can safely and simply log on and elect to rollover their funds to an IRA or new employer Plan, take a cash lump sum, or create an IRA to rollover their funds into. Paper forms are available.
 - ✓ Disburse funds via Check, Wire, ACH or Cash Card according to the instructions provided.
 - ✓ Withhold mandatory/voluntary Fed /State taxes, remit taxes to taxing authority, and file all necessary Fed/State tax returns (i.e. 1099R, 945, 1096, etc).
 - ✓ Monitor and resolve all returned/uncashed disbursements and all expired Participant notices. Perform address searches and update address as needed.
 - ✓ Provide 24/7 online access to Benepay to review history, distribution status, generate reports, or make additional distribution requests.
- ii. Payment Processing (Check Only) \$35 per Participant** - Outsource Payment Processing, Fed & State Tax Withholding, and Tax Returns (i.e. 1099R, 945, 1096, etc). The TPA/Sponsor notifies Participants of the pending distribution, collects the benefit election data, registers the Sponsor and Plan online with PenChecks and directs Plan assets and Participant benefit election data to PenChecks. PenChecks will:
- ✓ Notify TPA/Sponsor upon receipt of Plan assets.
 - ✓ Provide access to PenChecks Pay Portal where TPA/Plan will bulk upload or manually enter all necessary Participant benefit election information to disburse funds (i.e. Name, SSN, DOB, Address, Account Balance, Distribution Type, Tax Code, etc).
 - ✓ Disburse funds via Check, Wire, ACH or Cash Card according to the instructions provided.
 - ✓ Withhold mandatory/voluntary Fed and State taxes, remit withheld taxes to taxing authority, and file all necessary Fed and State tax returns (i.e. 1099R, 945, 1096, etc).
 - ✓ Monitor and resolve all returned/uncashed disbursements. Perform address searches as needed.
 - ✓ Provide 24/7 online access to Benepay to review history, distribution status, generate reports, or make additional distribution requests.
- iii. Recurring Benefit Payments** - Outsource a Plan's recurring/annuity payments to PenChecks. The TPA/Sponsor registers Sponsor, Plan and Participant with PenChecks. A After the one time registration/upload of Plan and Participant information (One Time \$250 per Plan and One Time \$10 per Participant) PenChecks will:
- ✓ Invoice the TPA/Plan for distribution funds Quarterly or Monthly.
 - ✓ Provide for Monthly (\$6), Quarterly (\$12), Semi-Annual (\$20), or Annual (\$35) per payment pay frequencies.
 - ✓ Individual or Bulk upload of initial Plan and Participant information. \$5 per Payment Change thereafter.
 - ✓ Disburse funds via Check, ACH or Cash Card according to initial registration.
 - ✓ Withhold Fed /State taxes, remit taxes to taxing authority, and file all necessary Fed/State tax returns (i.e. 1099R, 945, 1096)
 - ✓ Perform Quarterly Death Audits and Provide an annual Participant tax withholding inquiry.
 - ✓ Monitor and resolve all returned/uncashed disbursements. Perform address searches as needed.

B. IRA Services

- i. Standard Default / Missing Participant IRA** - The TPA/Sponsor directs Plan assets and all necessary Participant data to PenChecks. There is no account minimum. PenChecks will:
- ✓ Notify Sponsor/TPA upon receipt of Plan Assets.



- ✓ Provide access to PenChecks Pay Portal where TPA/Plan will bulk upload or manually enter all necessary Participant data in order to establish the IRA (i.e. Name, SSN, DOB, Address, Account Balance, etc).
- ✓ Establish Default/Missing Participant IRA on behalf of the Participant, notify Participant that an IRA has been established, and provide instructions on how to contact PenChecks to collect/transfer their funds out of the IRA.
- ✓ Register Participants with the National Registry of Unclaimed Retirement Benefits, an online searchable database of missing Participants. A Participant can search to find their benefit. If a match results, PenChecks and TPA/Sponsor are notified.
- ✓ File all Fed and State tax returns (i.e. 1099R, 945, 5498).
- ✓ Perform address search as needed for returned mail/notices and annually to update Participant address included on form 5498.
- ✓ Provide 24/7 access to review history, current status of distribution, generate reports, or make additional distribution requests.

ii. Premier Default/Missing Participant IRA - The TPA/Sponsor directs Plan assets and all necessary Participant data to PenChecks. PenChecks will provide all benefits included in the Standard service (above) as well as comply with DOL FAB 2004-02 for Participant accounts greater than \$500. The additional services include:

- ✓ Perform an address search for all Participants and update as necessary.
- ✓ Notify Participants via certified mail of pending distribution, Plan's intent to establish a DMP IRA if Participants are unresponsive and request Participant to contact PenChecks in a timely manner to make a benefit election.
- ✓ Request the use of the IRS Letter Forwarding Service.
- ✓ Notify Participants' designated beneficiary if provided by Sponsor and request beneficiary's assistance in locating the missing Participant.
- ✓ Direct all responsive Participants to the PenChecks Benefit Election Website where Participants can safely and simply log on and elect to rollover their funds to an IRA or new employer Plan, take a cash lump sum, or create an IRA to rollover their funds into.
- ✓ Disburse funds to responsive Participants via Check, Wire, ACH or Cash Card according to the instructions provided.
- ✓ Establish a Default/Missing Participant IRA for those non-responsive Participants, handle all future Participant interaction, and assist Participants in collecting/transferring their Default/Missing Participant IRA elsewhere.

iii. Default / Missing Participant Fees – there is a one-time processing fee, per Participant, of 20% of the total account balance, not to exceed \$100, charged to the Participant's account balance. There is also a \$45 annual administrative fee assessed to the Participant's account every December by the custodian. PenChecks has a financial interest with respect to the ongoing administration of such IRAs. When the use of the IRS Letter Forwarding Service (Premier) exceeds 49 letters in a 12 month period per Plan, a \$1,750 + \$0.50 per letter charge may be charged to the Sponsor by the IRS for use of the IRS Letter Forwarding Service.

C. Specialized Solutions

i. Missing Distributee Program (20% of the Account Balance, not to exceed \$100) - When lump sum distributions checks go uncashed a benefit is still due to the Participant. However, if taxes are withheld, paid, and reported to the taxing authorities under a prior tax year a Default/Missing Participant IRA is not an option due to the fact that a taxable distribution has taken place. The funds are non-qualified. PenChecks will assist Sponsors/ Institutions in resolving these accounts by attempting to locate the missing distributee and/or eventual escheatment of funds to the proper state authority. Sponsors/Institutions shall transfer these non-negotiated / stale dated checks payable to PenChecks Missing Distributee, LLC and provide basic payee information (name, ssn, address, dob, etc) to PenChecks and PenChecks will:

- ✓ Perform an address search, notify the payee of the unpaid benefit, and request payee to contact PenChecks.
- ✓ Validate the identity of any located missing distributee; upon validation, PenChecks will pay out the missing distributee.
- ✓ If missing distributee is unresponsive, the funds will be escheated to the state of last known residence of the Participant where the original distribution was issued in accordance with that state's escheat regulations.
- ✓ Establish a taxable savings account for each Participant where it will earn interest until the funds are escheated.



- ✓ Issue any necessary tax reports (i.e. 1099-Int).
- ✓ Those institutions / Sponsors or advisors wanting to use this service will need to enter into another contract specific to the Missing Distributee Program.

ii. In Kind Distributions (\$100) – assist in issuing a 1099R as a result of an inkind rollover or inkind lump sum distribution while invested in a non-cash asset.

iii. 1099R Only / Tax Payments (\$30) – assist in issuing a 1099R for a pension distribution issued by a party other than PenChecks and/or assist in submitting withheld taxes and filing necessary tax forms to federal and state authorities.

iv. Participant Address Searches and/or Registered Mailing (\$30) – perform an address search for a missing Plan Participant and/or mail correspondence to Participants. The search is performed based on the information provided by the Sponsor (i.e. SSN, name, last known address, DOB, etc). A summary report will be issued to the Sponsor by PenChecks indicating if there are any matches or updates to the current address.

v. Additional Handling Fees - ACH Transfer - \$20, Wire Transfer - \$30, Returned ACH / Wire - \$10, Overnight Mailing - \$40, NSF - \$25, Stop Payment and Reissue Check - \$50, Reissue Check with no Stop Payment - \$30, Credit Bureau and PI Search - \$200, Paper Copies of 1099Rs or Checks - \$50 per hour with an one hour minimum.

D. Float Disclosure

Due to factors which are beyond the control of PenChecks, such as the time required for Participants to make benefit elections and/or negotiate their distribution checks, some earnings (float) will occur on the funds to be distributed. The float is used to defray operating and overhead expenses. Funds pending distribution are temporarily invested in FDIC insured money market or savings instruments. Since the time factors are different for each Plan and the rate of return on money market investments varies, it is not possible to calculate the precise amount of float that will be generated by any given deposit held for distribution. Based upon averages derived from the processing of thousands of distributions, use of the following formula will produce an average amount of float for each \$1,000 deposited for distribution processing:
Average Daily Interest Rate of 0.0000275 x \$1,000 x 5 days of float on average = \$0.14 per \$1,000 deposit.

E. Availability of Funds - Funds designated for benefit payments must be made payable to PenChecks, Inc. Employee Benefit Distribution Trust. Deposits made by wire require 72 hours and checks/draft deposits require a minimum of five business days to clear before any benefit distribution can be processed.