



In their April issue (Volume 16, Number 4) the 401(k) Advisor published an interview with Peter E. Preovolos, President of PenChecks, Inc. where he was asked to discuss the benefits of using default or automatic rollovers in pension plans.

Below are the 10 questions discussed in the interview authored by Greg Matthews from the Matthews Benefit Group, Inc in St. Petersburg, FL and the answer to one of those Questions.

- **Would you provide our readers an overview of how an automatic rollover works?**
- **Can't any IRA provider accept default IRAs?**
- **What is a rollover provider?**
- **What rollover option is available for accounts of more than \$5,000?**
- **Do all plans contain a default rollover provision?**
- **What does a plan without a default IRA provision do with small accounts?**
- **Can you explain how the \$5,000 and \$1,000 threshold applies?**
- **Is there a way to transfer a sum greater than \$5,000?**
- **Do all rollover providers accept small accounts?**
- **Would you like to make any recommendations to our clients?**

Q Do all plans contain a default rollover provision?

A No, it is an optional feature, and many plan sponsors have not elected to take advantage of that option. I should note that some plans that did not allow for default IRAs are now being amended to take full advantage of the \$5,000 threshold. But if the provision has not been included in the plan, then you can't use a default IRA to get rid of small accounts. The automatic rollover provision also has to be included in the plan's SPD, along with the highest and lowest thresholds that apply (e.g., all vested accounts up to those valued at \$5,000). The regulations do let the plan document set the upper limit between \$1,000 and \$5,000, but they do not deprive or prevent the plan from setting a bottom limit at all. That is, you can distribute all accounts from \$5,000 down. Of course, the rollover provider the sponsor selects needs to be a provider that will accept those small accounts when the plan has no limits.

You can find the remaining answers in the above mentioned issue of the 401(k) Advisor or at <http://www.aspenpublishers.com/> to ask for reprints. If you have any questions regarding Automatic or Default Rollover Distributions please call us toll free at (800)541-3938 or visit us online at

http://www.penchecks.com/missing_participant.htm

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