



Which of the following is FALSE?

The trustee's fiduciary responsibility as it relates to a participant's plan account balance terminates when:

1. A participant requests and receives a rollover to an accepting new employer's plan via wire that is a distribution of the participant's entire account balance.
2. The participant requests and receives a rollover via check that is a distribution of the participant's entire account balance, payable to the rollover institution and is mailed to the participant's home address
3. A participant is non-responsive to requests to make a benefit election of their \$5,000 account balance. The SPD allows the plan to force out such an account balance. The plan issues a lump sum distribution to the non-responsive participant via check.
4. The plan trustee establishes a Default / Missing Participant IRA under the DOL Safe Harbor Regulations and rolls the funds into the IRA via ACH/wire.

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Commentary:

Is it the Plan Trustee's fiduciary responsibility to verify all checks issued from the plan have cleared the custodian institution?

YES!

You would be surprised how many checks, lump sum or rollover, go uncashed and the funds remain with the custodian. This happens more frequently with smaller account balances where plan sponsors "force out" non-responsive participants by sending a lump sum check to the participant's last known address, but can also happen to participants with larger account balances. Regardless of the reason, the end result is that the participant doesn't have their money and the plan's fiduciary liability continues; a loose, loose situation. Furthermore, the work associated with either attempting to obtain a tax credit to bring the funds back into the plan or escheating the funds is overbearing, costly, and unnecessary.

We think that a far simpler solution is to use PenChecks for all of your distribution needs. PenChecks will monitor all of your distributions, communicate to you when checks go uncashed and for those checks issued as a lump sum get the taxes back to make the account whole and save it from being escheated. In addition, plans should amend their plan document to include a default IRA option with a "no minimum requirement" and partner with a firm, such as PenChecks, Inc to facilitate a quick and easy distribution of these funds that terminates the fiduciary responsibility of the plan and maintains the qualified status of the participant's account. Whether or not a TPA or Plan Sponsor uses the services of PenChecks, it is strongly advised that they issue instructions annually to the custodian institution to send them a listing of all unchashed checks. This simple process, we believe, will satisfy your fiduciary obligation with regards to these funds. In the case where escheatment is the only option, PenChecks offers its Missing Distributee Service to Plan Sponsors, TPAs and Institutions to assist in this escheatment process.

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Trivia Answer:
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