Mandatory Distributions (Automatic Rollover IRA's)

If your plan has an automatic cash out and/or rollover provision, we will periodically review the plan and notify terminated participants who have a balance below the plan's cash-out threshold that they must take action on their retirement account. After the required wait period has passed, accounts for those participants who did not take action will be "swept", meaning they will be rolled over or cashed out according to the terms of your agreement with Sentinel.

What is an automatic rollover IRA?

An automatic rollover is a distribution of an account for terminated employees who have a balance of $7,000 or less. Please note that the threshold can be set to a lesser amount in your document, but cannot be more than $7,000. It is important to note that this automatic distribution does not occur unless the former employee neglects to take a distribution.

What are the benefits of using an automatic rollover solution?

In general, automatic rollovers reduce expenses, reduce your administrative burden, and reduce your fiduciary responsibility. After we sweep a low-balance account from the plan, you no longer have to pay for the participant as part of your administrative fee. Also, for larger plans nearing 120 participants, utilizing an automatic rollover solution can help keep the participant counts below the audit threshold. In addition, the burden you have as a Plan Sponsor to keep up with terminated employees, even those who left years ago, is eliminated.

Who does Sentinel use for automatic rollover IRA's?

We value our relationships with our clients and it is always of the utmost importance to us that we partner with like-minded providers. Industry knowledge and a drive to do what is right for our clients and participants are at the core of what we do. It's this focus that ultimately resulted in us choosing to work with PenChecks Trust. Founded in 1994, PenChecks Trust is a leader in their field. They are the largest independent processor of outsourced retirement plan distribution services in the country, distributing nearly $1 billion in payments annually. PenChecks' goal is the make the process safe, secure and easy – right in line with what we value at Sentinel.

Are mandatory distributions processed automatically or do I need to request them?

Mandatory distributions are processed automatically for many plans. In order to have these sweeps set up automatically, the following must all be true:

- Your plan document includes a provision for mandatory distributions
- The Plan Sponsor has signed a Blanket Authorization allowing Sentinel to automatically approve mandatory distributions
- For plans with an automatic rollover provision, the Plan Sponsor has signed a Rollover Agreement

What does the sweep process look like for participants?

Each week, we send letters to participants who meet a plan's sweep criteria. These letters are sent by postal mail to the participant's home address. Because of this, it is very important that the information being provided on payroll files (vesting, hours, termination dates) is accurate and that we are notified in a timely manner in the case of changes, such as a participant being rehired. The letter we send explains that action is needed and outlines the simple steps to log in and provide distribution instructions. As always, our Service Center is available to help participants with any questions they may have.

In the letter, we advise participants that if they don't take action, a rollover IRA will be established for them at PenChecks. After waiting 60 days from the date the letter is issued, we will complete the rollover to PenChecks. It is important to note that Plan Sponsors have an opportunity to review the list of participants whose accounts are scheduled to be swept before we process the automatic rollover. This does provide a final opportunity for any data reported (or not reported) in error to be corrected (such as an

erroneous termination date or a rehire not previously reported).

Which balances are considered when assessing whether an account meets the plan's mandatory distribution requirements?

Terminated participants will receive a distribution notification if their vested account balance less any outstanding loan balance is under the cash-out threshold defined by the plan. Rollover balances will or will not be included based on the provisions of your plan. No notification will be sent to participants whose balance is either less than $10 or less than the participant-paid distribution fee.

For plans with automated mandatory distributions, how often are plans reviewed and mandatory distribution letters issued?

Plans are reviewed and mandatory distribution letters are issued weekly.

How long after the initial notice goes out will the accounts be distributed?

After 60 days, an email notification will be sent to the distribution approver(s) associated with your plan with a list of the participants to be distributed, their termination dates, and their account balances. The distribution approver(s) will then have 7 days to review the records and reject any that should not be distributed. After 7 days, any outstanding mandatory distribution records will be automatically approved and distributed.

Is the Plan Sponsor required to approve each mandatory distribution?

No, you do not need to take any action to approve these requests. Unless you reject them, they will be automatically approved after 7 days. If a record is rejected because a termination date was submitted to Sentinel in error or because the participant was rehired, please contact your Plan Consultant to avoid subsequent mandatory distribution attempts.

Will mandatory distribution requests look different on the online distribution portal than requests initiated by plan participants?

Yes. The words "***MANDATORY DISTRIBUTION*** will be displayed for these types of distributions. In addition, mandatory distribution requests will not include the security quiz result or risk factor section since the request was not initiated by the participant.

After the initial mandatory distribution notice is sent, in what cases will the account not automatically be distributed at the end of the wait period?

1. If the participant has logged into the distribution portal and has either completed a withdrawal or has a participant-directed request in progress.

2. If the participant's balance is no longer below the cash-out threshold. For example, if a plan sweeps participants under $5,000 and a participant with a $4,800 balance is sent a letter but at the end of the wait period the balance is $5,200. In this case, the balance will not be distributed on the normal schedule but will continue to be monitored and distributed in the future if/when the balance drops below $5,000.

3. If the participant is rehired during the wait period.

4. If a distribution approver rejects a mandatory distribution record within the distribution portal.

What follow up does PenChecks do with participants and what service do they provide?

Once the rollover IRA is established at PenChecks, a welcome letter will be sent explaining how someone can claim their account.

Access to the account is available online and PenChecks also has a bilingual, U.S.-based call center available to account holders.

Once an account is claimed and the account holder is verified, the payout of the account happens in 5-7 days. PenChecks offers ACH, wire and check payment options. To help combat fraud, PenChecks utilizes the same real-time bank account number verification provider Sentinel uses. For those who do not respond or claim their account, PenChecks continues to attempt to locate the account holder. They conduct an annual address search for non-responsive account holders and also send an annual paper communication reminding the account holder of the account and how to claim it.

How can a participant whose account has been transferred to PenChecks contact them?

For assistance, participants can email MyIRA@PenChecks.com or call (844) 44-MYIRA.

How can a participant request a distribution of their funds from PenChecks?

Participants can call or email as noted above, or they can log into MyBenefitElection.com. To log in, they will enter their first an last name and their SSN. They will then be able to complete their benefit election preferences and submit the required information through PenChecks' secure online portal.