7. Plan Distributions

Introduction

As the recordkeeper, we process all transactions, including distributions, in accordance with instructions we receive in good order from you or your TPA. Distributions and loans must be initiated using one of the following applicable methods:

- **Online**
  - Certain distributions can be initiated on the plan sponsor, participant, and TPA websites.
  - Plan sponsors can initiate and approve these distributions by accessing the Withdrawals tab on the plan sponsor website.
  - TPAs can initiate and approve these distributions by accessing the Withdrawal Review link on the TPA website.

- **Paper**
  - Distribution forms can be found in the Forms section of the plan sponsor website.

Before submitting your distribution request, please verify with your TPA that your plan document provisions permit the requested distribution type, that the request complies with all applicable regulations and plan rules, and that the participant’s vested balance is sufficient to allow the requested distribution amount.

With the exception of distributions due to death or qualified domestic relations orders (QDROs), a distribution check can be made payable only to the participant or the successor trustee. To process a distribution request, American Funds must receive:

- The completed distribution form with all required information. This may include the participant’s current vested percentage.
- The signature of an authorized signer. (Distribution requests submitted electronically will be approved electronically by an authorized signer via the plan sponsor website.)
- Any other documentation or forms required for the specific distribution type

Certain distribution requests may be submitted electronically on the plan sponsor website.

Distribution requests received in good order prior to the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern time) are processed the same day. Distribution requests received after the close of regular trading are processed at the next business day’s prices.

**Special Considerations for Roth 401(k) Distributions**

Roth contributions (and earnings) are eligible for tax-free withdrawal after attainment of age 59½, death or disability AND a date that is five years or more after the account was established. We rely on you and your TPA to advise us if a distribution is qualified.
In the event a participant’s combined pre-tax salary deferrals and Roth contributions exceed the 402(g) limit, the participant may choose which money type their excess refund should be taken from, unless your plan describes an ordering rule. As a plan sponsor, you are responsible for notifying us of which money type to use when an excess refund is requested.

If your plan allows for partial distributions from Roth assets, we will treat the Roth portion of all such distributions as partially taxable and partially non-taxable.
Distributions Due to Separation From Service, Including Disability and Retirement

A participant is generally entitled to receive the vested portion of their account balance on separation from employment, disability or retirement. (If the participant is not fully vested, see “Special Instructions on Forfeitures” later in this section.)

The participant may elect to roll over eligible amounts into a traditional or Roth IRA, a SIMPLE IRA, an individual retirement annuity, a 403(b) plan, a 457(b) plan, or another retirement plan that accepts rollover contributions.

The participant also may elect to receive the distribution in a single payment. However, any amounts that would be “eligible rollover distributions” that were not previously taxed are subject to mandatory 20% federal income tax withholding and may be subject to mandatory state income tax withholding. (After-tax contributions, including Roth after-tax contributions, however, would not be subject to withholding.) Please ask your American Funds client service team or your financial professional for a supply of the American Funds brochure titled Retirement Savings Options for Plan Participants to help your employees learn about their options.

Required information

- A completed distribution form. The signature of an authorized signer is required to initiate distribution processing if the request is submitted by fax.
- Distribution requests submitted electronically will be approved electronically by an authorized signer via the plan sponsor website and by the TPA via the TPA website.

Transaction processing

A distribution request received by fax or mail will be entered on the RecordkeeperDirect system the day it is received, provided the request is received in good order prior to the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern time).

Your request is considered in good order if:

- The distribution form is complete, including the participant’s current vested percentage, and
- The form contains the signature of an authorized signer. Distribution requests submitted electronically will be approved electronically by an authorized signer via the plan sponsor website

If you request a separation-of-service distribution for the trustee of the plan or the owner of the company, your request is considered in good order only if the above criteria are met and one of the following is provided:

- Documentation naming a new trustee for the plan
  OR
- A distribution form is received for all remaining participants in the plan (plan termination)
We will mail a distribution check made payable to the participant or, if it is a rollover, to the new trustee the following business day.

**Resolving data issues, correcting errors or making changes**

A client service team member will contact you or the TPA to resolve any outstanding issues with your request. If the *Application for Direct Rollover to an American Funds IRA* or *Request for Cash Distribution or Rollover* is incomplete or if signatures are missing, we will retain the original form(s) on file and will ask that a new form be resubmitted.

We will pend the distribution request for three business days pending issue resolution. If we do not resolve the issue within three business days, we will retain the form(s) on file without processing.

You, or the TPA, must submit in writing any changes or corrections pertaining to previously processed distribution requests. For more details about corrective procedures, please see Section 4 of this Administration Guide.

**Special instructions for an automatic rollover to an American Funds Rollover IRA**

The Department of Labor requires a rollover into an IRA of terminated participant account balances valued between $1,000 and $5,000, unless the participant elects a different form of distribution. Check with your TPA to determine if your plan document includes an automatic rollover provision. If it does, you can establish an automatic rollover account for a terminated participant who has not responded to requests for distribution elections.

- Complete, sign and return an *Automatic Rollover IRA Employer Agreement* to American Funds. You can access this form in the Forms section of the plan sponsor website.
- Once you have signed and returned the form, all you need to do to initiate automatic rollovers is send American Funds a list of the name(s), Social Security number(s) and other information specified on the form for the participant(s) for whom you want to establish a rollover IRA.

More information about automatic rollover IRAs and detailed processing instructions are provided in the *Automatic Rollover IRA Employer Agreement*.

**Special instructions for non-resident aliens**

American Funds will need the form W-8BEN completed and submitted with an original signature in order to process a distribution for individuals who are non-resident aliens. The W-8BEN form is available on the IRS website at [irs.gov](http://irs.gov) or from [americanfunds.com](http://americanfunds.com). The definitions of resident alien and non-resident alien are also available on the IRS website, [irs.gov](http://irs.gov) and in IRS Publication 519.
Loans

Participant loans provide a way for participants to access money from their accounts. The provisions in the plan documents or separate written loan program typically specify:

- How the interest rate is determined
- Whether loans are limited to “general purpose” or can be used to purchase a “principal residence”
- Other limitations on use of loan proceeds, such as “hardship reasons”
- Minimum and maximum loan amounts
- The number of outstanding loans permitted per participant

Required information

A completed Loan Request form is required to initiate loan processing. The Loan Request form can be faxed, emailed, or submitted via mail.

Please make sure the loan conforms to the guidelines required by your Plan and any applicable retirement plan regulations. Also, please inform participants who request loans that they will be charged a loan origination fee of $85 and an annual loan maintenance fee of $50. Loan fees will be deducted directly from the participant’s account. These loan fees are separate from any charges your TPA may impose.

Transaction processing

A distribution request received by fax or mail will be entered in our RecordkeeperDirect system the day it is received, provided the request is received in good order prior to the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern time).

Your request is considered in good order if:

- The Loan Request form is complete and
- The form contains the signature of an authorized signer.

We will mail a check for the loan proceeds to the party indicated on the form the following business day. Please allow eight to 10 days for first-class mail delivery.

You can access the amortization schedule on the plan sponsor website via the Loans screen.

Loan repayments

Participants are required to repay loans taken against their retirement plan accounts. Loan repayments from payroll deductions must be submitted via the Automated Clearing House (ACH) as part of payroll contribution processing. Additional loan payments or loan payoffs should also be made through the sponsor website and ACH. Extra payments or amounts will be applied to future payments on the amortization schedule. A payoff of the entire outstanding loan balance must be processed on the plan sponsor website. To prevent the
payoff amount from being applied to future payments, the loan must be frozen and the payoff, referencing the loan freeze date as the payroll date, must be processed within the freeze period. **Please note that we cannot accept a participant’s personal check for any contributions, including loan payments or loan payoffs.**

We provide loan monitoring and tracking services to plans offering loans to their participants. Detailed loan information can be viewed by going to the Loans tab in the Plan Administration area of the plan sponsor website. This detailed loan information includes, but is not limited to, outstanding balances, payment frequency, expected payment amounts, loan activity, amortization details, at-risk loans, defaulted loans and the ability to calculate and freeze loans.

We will provide quarterly at-risk notifications to plan sponsors and TPAs for loans considered at risk of defaulting. These notifications will be emailed approximately 61 to 65 calendar days in advance of the cure period end date. Participants will be mailed notifications approximately 30 calendar days in advance of the cure period end date. If the missed loan payments due are not received by the last business day of the cure period, we will automatically default the loan, and a 1099-R will be generated for tax purposes. The defaulted loan will continue to accrue interest until the loan is fully repaid or offset. Any additional loan payments made to a defaulted loan will be treated as after-tax contributions.

Unless we are notified otherwise, we use the cure period calculation as set forth by the IRS guidelines. It is defined as the last day of the calendar quarter following the calendar quarter in which the missed payment occurred. However, the plan’s loan policy may stipulate a shorter cure period.

Please notify us in writing as soon as possible if you determine that a participant loan is in default. If the participant is still employed, the letter should include instructions on whether we are to treat the default as a distribution or offset the participant’s balance. A 1099-R will be generated.

If your plan requires that a participant repay any outstanding loans immediately upon termination of employment or within a reasonable period following termination, and the participant fails to do so, you can instruct us to offset the outstanding loan balance. A 1099-R will be issued for the amount of the offset. If the participant takes a distribution of the balance of the account, withholding will take into account the amount of the offset.

**Resolving data issues, correcting errors or making changes**

A client service team member will contact you or the TPA to resolve any outstanding issues with your request. If the Loan Request form is incomplete or if signatures are missing, we will retain the original form(s) on file and will ask that a new form be resubmitted.

We will pend the loan request for three business days pending issue resolution. If we do not resolve the issue within three business days, we will retain the form(s) on file without processing.
You, or the TPA, must submit in writing any changes or corrections pertaining to previously processed distribution requests. For more details about corrective procedures, please see Section 4 of this Administration Guide.
Refund of Excess/Mistake of Fact Distributions

Return of Excess

You should consult your legal counsel or your TPA before requesting a corrective distribution or return of excess.

Mistake of Fact

The IRS has issued limited guidance with respect to the circumstances under which a contribution is determined to be made as a mistake of fact, and the limited guidance provides a very narrow definition of “mistake of fact.” If this request is found not to meet the IRS standard for mistake of fact, the contribution returned may potentially jeopardize the plan’s qualification status, which can result in adverse tax consequences to the plan sponsor and plan participants. You are strongly encouraged to consult your legal adviser before making a decision. The contribution amount requested cannot be increased for earnings and must be decreased by losses, if any.

Required information

A completed distribution form, including the signature of an authorized signer on the form, is required to initiate distribution processing.

Transaction processing

We will enter the distribution request into the RecordkeeperDirect system on the day it is received provided the request is received in good order prior to the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern time). Your request is considered in good order if:

- The distribution form is complete and
- The form contains the signature of an authorized signer

Resolving data issues, correcting errors or making changes

A client service team member will contact you or the TPA to resolve any outstanding issues with your request. If the form is incomplete or if signatures are missing, we will retain the original form on file and will ask that a new form be resubmitted.

We will pend the distribution request for three business days pending issue resolution. If we do not resolve the issue within three business days, we will retain the form on file without processing.

You, or the TPA, must submit in writing any changes or corrections pertaining to previously processed distribution requests. For more details about corrective procedures, please see Section 4 of this Administration Guide.
In-Service and Hardship Withdrawals

If allowed under the provisions of the Plan, a participant may make an in-service withdrawal of plan benefits or a hardship withdrawal if there is an immediate and heavy financial need.

Hardship withdrawals are exempt from the mandatory 20% federal withholding (or comparable mandatory state withholding). For instructions on standard withholding rules, contact your TPA or tax adviser.

Required information

A completed distribution form, including the signature of an authorized signer on the form, is required to initiate distribution processing. Hardship distributions can be initiated and approved online.

Either the Plan Sponsor or TPA must identify the contribution types (e.g., elective deferral, profit sharing, matching contributions) that may fund an in-service or hardship withdrawal, as dictated by the plan document.

If historical data was not provided to us at the time of a 401(k) or 403(b) plan’s installation, it must be supplied when the hardship distribution is requested, or we cannot determine the amount available for hardship withdrawal. Please note that we must have complete historical information (specifically, pre-1988 earnings) at the time of plan conversion for our system to process the withdrawal amount correctly.

Also for 401(k) or 403(b) plans, if your Plan requires a six-month suspension of elective deferrals or voluntary employee contributions following the hardship withdrawal, you can instruct us to assign the participant a suspended status on our recordkeeping system so we can identify any contributions inadvertently submitted. When the suspension period has ended, you can reactivate the participant’s status on the sponsor website.

Transaction processing

We will enter the distribution request into the RecordkeeperDirect system on the day it is received provided the request is received in good order prior to the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern time). Your request is considered in good order if:

- The distribution form is complete, including the participant’s current vested percentage and
- The form contains the signature of an authorized signer

Unless you instruct us otherwise on the form, we will mail the distribution check to the participant the following business day.

Resolving data issues, correcting errors or making changes

A client service team member will contact you or the TPA to resolve any outstanding issues with your request. If the distribution form is incomplete or if signatures are missing, we will retain the original form(s) on file and will ask that a new form be resubmitted.
We will pend the distribution request for three business days pending issue resolution. If we do not resolve the issue within three business days, we will retain the form(s) on file without processing.

You, or the TPA, must submit in writing any changes or corrections pertaining to previously processed distribution requests. For more details about corrective procedures, please see Section 4 of this Administration Guide.
Qualified Domestic Relations Orders (QDROs)

QDROs are used to award a portion of a participant’s qualified plan benefit to an alternate payee (such as the participant’s spouse, former spouse, child or other dependent) for purposes of child support, alimony payments or marital property rights.

The alternate payee may elect to leave the QDRO award in a segregated account in the plan or the spouse or former spouse can roll over the amount into one of the following:

- An Individual Retirement Account (IRA)
- An individual retirement annuity
- Another plan that accepts rollovers

The alternate payee also may elect to receive the distribution as a lump-sum payment subject to the plan provisions covering the forms of benefit options and timing of distributions. If the alternate payee is a spouse or former spouse of the participant, mandatory 20% federal withholding will apply, and the distribution may be subject to mandatory state income tax withholding. Alternate payees should consult their tax advisers or financial professionals before requesting a distribution.

If the QDRO specifies a date for when assets are to be segregated or distributed, please request a participant statement as of that date. This will assist you, as Plan Sponsor, in determining the amount to be segregated or distributed. Statements can be requested on the sponsor website, or you can call a client service team member.

Required information

Once you accept the QDRO, you will need to provide American Funds with the completed transfer and distribution forms, including the signature of an authorized signer on the forms. In addition, you must provide:

- For a direct rollover to an American Funds IRA (available only for a spouse or former spouse), you must attach a completed Traditional/Roth IRA Application.

American Funds will process the distribution according to the distribution sequence established on the RecordkeeperDirect system at plan setup.

Transaction processing

We will enter the distribution request into the RecordkeeperDirect system the day it is received if the request is received in good order. Your request is in good order if:

- The distribution form is complete, including the participant’s current vested percentage, and
- The form contains the signature of an authorized signer, and
- The participant’s vested account balance is sufficient to pay the amount listed, and
- If a direct rollover to an American Funds IRA is elected, a completed *Traditional/Roth IRA Application* is included, with appropriate signatures.

The following business day, we will mail the distribution check to the alternate payee (made payable to him or her), or if it is a rollover, to the new trustee/custodian.

**Resolving data issues, correcting errors or making changes**

A client service team member will contact you or the TPA to resolve any outstanding issues with your request. If the distribution form or *Traditional/Roth IRA Application* is incomplete, or if signatures are missing or are not original, we will retain the original form(s) on file and will ask that a new form be resubmitted.

We will pend the distribution request for three business days pending issue resolution. If we do not resolve the issue within three business days, we will retain the form(s) on file without processing.

You or the TPA must submit in writing any changes or corrections pertaining to previously processed distribution requests. For more details about corrective procedures, please see Section 4 of this Administration Guide.
Required Minimum Distributions (RMDs)

IRS regulations require that a participant begin receiving a required minimum distribution (RMD) from the plan at age 70½. The participant must receive the RMD by December 31 of the year in which they turn 70½. However, the first payment may be deferred until April 1 of the year following the year in which the participant turns age 70½.

NOTE: If a participant requests a distribution in the calendar year in which they turn 70½, the RMD cannot be delayed as required under IRS regulations.

If the participant continues to work beyond age 70½ and is not a 5% owner, the participant may defer the first payment until April 1 of the calendar year following the calendar year in which he or she retires. The ability to defer the distribution depends on plan provisions and any associated administrative requirements.

Please note that the Plan Sponsor or TPA is responsible for informing American Funds when a participant is required to begin receiving his or her RMD and instructing us to make the required distribution.

Required information

A completed distribution form, including the signature of an authorized signer on the form, is required to initiate distribution processing. You also must provide:

- Written instructions if you use an RMD calculation method other than the methods specified on the form.

Transaction processing

We will enter the distribution request into the RecordkeeperDirect system on the day it is received provided the request is received in good order prior to the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern time). Your request is considered in good order if:

- The distribution form is complete, including the participant’s current vested percentage, and
- The form contains the signature of an authorized signer
- Written instructions are included if the method used to calculate the RMD is different from methods specified on the form.

We will mail the RMD to the participant the following business day. American Funds must receive RMD requests at least five business days prior to the IRC deadlines (applicable April 1st or December 31st) to ensure we have adequate time to enter requests into our recordkeeping system and to process them in a timely manner.

Resolving data issues, correcting errors or making changes

A client service team member will contact you or the TPA to resolve any outstanding issues with your request. If the distribution form is incomplete or if signatures are missing, we will retain the original form(s) on file and will ask that a new form be resubmitted.
We will pend the distribution request for three business days pending issue resolution. If we do not resolve the issue within three business days, we will retain the form(s) on file without processing.

You or the TPA must submit in writing any changes or corrections pertaining to previously processed distribution requests. For more details about corrective procedures, please see Section 4 of this Administration Guide.
Distributions Due to Death

In the event of a participant's death, the account balance will become fully vested if provided for under the plan and may be paid to the participant’s beneficiary. (If the plan does not provide for immediate vesting, see “Special Instructions on Forfeitures” later in this section.)

The beneficiary may elect to roll over the amounts into an IRA, an individual retirement annuity, or a spouse beneficiary may elect to roll over the amounts into his or her retirement plan account. Non-spouse beneficiaries must use an “inherited” IRA for the rollover.

Any beneficiary may elect to receive the distribution in a single payment. If a beneficiary receives a distribution, the amount will be subject to mandatory 20% federal income tax withholding (within certain limitations) and may be subject to mandatory state income tax withholding.

Required information

Completed transfer and distribution forms, including the signature of an authorized signer on the forms, are required to initiate distribution processing.

For a direct rollover to an American Funds IRA, including an inherited IRA:

- In addition to the items requested above, include a completed Traditional/Roth IRA Application or an Inherited Traditional or Roth IRA Application if the beneficiary does not currently have an American Funds IRA account.

Loans that are unpaid at the time of distribution will become due and payable from the deceased participant’s vested account balance; the deceased participant’s account balance will be offset. Check your loan policy regarding whether you allow the beneficiary to repay an outstanding loan before taking a distribution.

Transaction processing

We will enter the distribution request into the RecordkeeperDirect system on the day it is received if the request is received in good order. Your request is considered in good order if:

- The distribution form is complete, including the participant’s current vested percentage, and
- The form contains the signature of an authorized signer, and
- If a direct rollover to a new American Funds IRA is elected, a completed Traditional/Roth IRA Application is included, with appropriate signatures.

We will mail a distribution check made payable to the participant’s beneficiary or to the new trustee on the following business day.

Resolving data issues, correcting errors or making changes

A client service team member will contact you or the TPA to resolve any outstanding issues with your request. If the distribution form or Traditional/Roth IRA Application is incomplete, or
if signatures are missing or are not original, we will retain the original form(s) on file and will ask that a new form be resubmitted.

We will pend the distribution request for three business days pending issue resolution. If we do not resolve the issue within three business days, we will retain the form(s) on file without processing.

You or the TPA must submit in writing any changes or corrections pertaining to previously processed distribution requests. For more details about corrective procedures, please see Section 4 of this Administration Guide.
Special Instructions on Forfeitures

When you request a distribution from a participant’s account, any non-vested portion of a distribution will remain in the plan. Forfeitures will be transferred from the participant’s account to a separate forfeiture account in the name of the plan. All forfeitures, regardless of source (e.g., matching contributions, profit-sharing contributions, etc.), are held in the one forfeiture account. Your instructions must include specific amounts if your plan requires, for example, that forfeitures from matching contributions be used only for those employees who are eligible for matching contributions.

We will hold forfeitures in the investment named on the Retirement Plan Specifications form submitted when your plan was first established with RecordkeeperDirect.

The forfeiture amounts will remain in this investment until an authorized signer instructs American Funds to distribute the funds.

Required information

Before American Funds can act on the forfeiture account, you must send us instructions for the disposition of the forfeiture amounts by contribution type in one of the following ways:

- By letter, including the signature of an authorized signer.
- By email from an authorized signer.

Unless we are instructed otherwise, the assets distributed from the forfeiture account will be payable to the name of the plan and will be mailed to the plan sponsor.

With instruction from an authorized signer, we can issue a check from the forfeiture account to be payable and/or mailed to a third party, including the third-party administrator.

Using the forfeiture account for contributions

You may use forfeiture assets to fund contributions. Please note that forfeiture assets can only be used to offset employer contributions. They cannot be used to fund employee elective deferral contributions, rollover contributions or loan payments. Specific steps must be taken to fund a contribution using forfeiture assets. You must manually enter the dollar amount to be taken from the forfeiture account on the ‘funding’ screen during processing. Please contact a Client Services team member with questions.