Rollovers from Outside Plans

Some employees have received distributions from plans of a prior employer. Some of these distributions can be rolled over to your plan. However, it is very important to make sure the distribution is in fact a qualified rollover distribution **before** accepting this money.

Who may roll over?

1. Any employee who is not a part of an excluded class of employees may roll over. The most common excluded class of employees are union employees.
2. Many plans allow a rollover even before the employee has met the plans eligibility requirements. This does not make this employee eligible for the rest of the plan; they are still subject to the normal eligibility requirements and will enter the plan as if no rollover had been made.

Which Plans can roll over?

1. Your Plan is qualified under IRS code section 401(a). Your plan can only accept rollovers from other 401(a) qualified plans.
2. The prior plan must inform the person receiving the distribution of whether or not they may roll over their money. The paperwork that was presented to the employee should be reviewed.

Which Plans or Distributions cannot be rolled over?

1. Plans not qualified under IRS code section 401(a). Common example: 403(b) Plans or SEP IRAs.
2. Distributions of non-taxable amounts. Sometimes a portion of the distribution has already been taxed, such as Roth Contributions. Rollover of the taxed portion of the distribution is not allowed.
3. With limited exceptions, personal IRA's cannot be rolled over.

Distributions:

1. The money rolled over will be 100% vested and will be accounted for as a separate account. Unless the Plan provides for participant direction of account balances, the rollover will **not** be invested separately. If the employee objects to any of the investment restrictions, he should not roll his distribution into this plan.
2. The money rolled over is now subject to all the distribution rules of **this** plan. The employee will most likely have to wait until termination of employment to receive a distribution. The employee should read the Summary Plan Description as it relates to distributions. If the employee objects to any of the distribution restrictions, he should not roll his distribution into this plan.

Procedure:

1. Give the employee a Summary Plan Description (there should be copy in your Plan Document Binder).
2. Request a copy of the distribution paperwork that the employee received from the other plan.
3. The distributing plan should write the check payable to the trustees of your plan.

   Example: The Trustees of the <Name of Plan> FBO <Participant Name>
4. Have the employee sign a Designation of Beneficiary form for your plan.

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