

IMPORTANT PLAN COMPLIANCE INFORMATION

1099-R Reporting Requirements

The Trustee/Plan Administrator of a qualified retirement plan is responsible for ensuring that all distributions made during the calendar year to any Participant (including a former Participant) or Beneficiary, are properly reported to both the Participant/Beneficiary and the Internal Revenue Service. Generally, this information is reported using Form 1099-R, and must be reported to the Participant/Beneficiary by the January 31st following the end of the calendar year in which the distribution was made, and filed with the IRS by the end of the following February. The IRS can impose fines for failure to file or for filing the forms incorrectly.

In many cases the Custodian or Recordkeeper for the Plan's assets (a mutual fund company, insurance company, or Bank are examples of custodians or recordkeepers) will prepare 1099-Rs for the distributions that they process. This is not always the case, however. If you are unsure, you should contact the Customer Service department of your Custodian/Recordkeeper. Since each Custodian/Recordkeeper will have different distribution procedures, a Plan Sponsor who has Plan assets at more than one Custodian/Recordkeeper will need to contact each one individually to determine who will and who will not prepare Form 1099-R.

A distribution includes *any* cash distribution from the Trust or an individual participant directed account for:

- Termination of employment, retirement, death, disability, excess contributions and interest required to meet ADP/ACP Tests of 401(k) plans, hardship withdrawals, required distribution for participant over age 70 ½, in service pre-retirement distribution, or plan termination;
- Rollovers paid directly to an IRA;
- Rollovers paid directly to another qualified plan;
- Loans in default or unpaid balance at termination of employment;
- Cash value of insurance policy transferred to participant;
- Employer Securities transferred to participant in ESOP Plans;
- Prohibited transactions;
- PS 58 Cost of Insurance when the Plan invests in Life Insurance;
- Roth Conversions.

Here are two common examples of when a third-party may need to prepare your Form 1099-Rs:

EXAMPLE 1. Plan Assets are held at both ABC Insurance Company and XYZ Brokerage Company. ABC Insurance will prepare a 1099-R for any distribution that they process. XYZ Brokerage does not prepare 1099-Rs for the distributions that they process. In this example, a third-party will need to prepare the 1099-Rs for any distributions from XYZ Brokerage that were done during the calendar year.

EXAMPLE 2. All Plan assets are held at ABC Insurance Company. ABC Insurance will prepare a 1099-R for any distribution that they process. A participant in the Plan defaults on a Plan loan during the calendar year. ABC Insurance was not informed of the loan default. Since they are unaware of the defaulted loan they will not prepare the required 1099-R.

If you determine that your Plan's Custodian/Recordkeeper will not be preparing some or all of your 1099-Rs than you must make arrangements for their preparation. Some employers are capable of preparing and filing the forms themselves; other employers will use the services of their accountant. In addition, Trombino Pension Administrators, Inc. would be pleased to prepare your 1099-R forms. Please contact our office not later than the January 10th following the end of the calendar year of distribution for more information.