

# The AMI Employer Newsletter

Summer 2019



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## *Hardship Withdrawal Changes*

**Effective 7/1/2019**

The IRS has clarified that we may now rely on the proposed hardship regulations and that we should begin to administer plans with hardship provisions based upon those regulations.

AMI has reviewed the regulations and as of 7/1/2019, we will begin to administer hardship withdrawal provisions (for plans that permit hardships from deferral sources only). If your plan allows hardship distributions from other sources, there will be some modifications to the procedures.

1. Remove the requirement that plan loans be obtained before a hardship (optional requirement).
2. Remove the requirement that deferrals be suspended for 6 months for a hardship from deferral sources. Any suspension periods in place prior to 7/1/2019 will continue until they expire. (Mandatory by 1/1/2020)
3. Allow hardship withdrawals on the earnings from deferrals (optional requirement).
4. Expand the definition of casualty loss back to the definition in place prior to the Bipartisan Budget Act of 2017 (optional requirement).
5. Require participant certification regarding the participant's inability to meet the financial need from other assets. (Mandatory by 1/1/2020)

AMI is in the process of updating its Hardship Request form. This form will now include a "Hardship Substantiation Package" which will require the participant to complete with hardship details. The participant must affirm that they will retain or provide AMI the documentation necessary to prove that a hardship has occurred. This form and package will need to be signed directly by the plan participant.

## *Multi-Factor Authentication (MFA) Update*

AMI has developed a flyer for you to provide to plan participants regarding the MFA update. Approximately 30 days before we enable MFA for your plan, we will send the flyer to you and ask you to distribute it to your plan participants as a courtesy notice. Once the MFA is enabled for your plan, participants will not be able to access the website, unless we have a cell phone number or an email address to send them a verification code.

### ***AMI's Fraud Prevention Initiatives***

AMI (and the retirement plan industry as a whole) takes the issue of cybercrime very seriously. We have changed our password protocols, are launching the MFA program and undergo an annual SOC 1 audit that reviews our security protocols. We have a secure upload site for employers to upload data and use our secure login website to post year end census data and requests, etc.

The next area of concentration is Fraud Prevention. AMI has always used a paper requirement for distributions and loans. We implemented address and email address changes only through our website or via the plan trustee. However, not all providers in our industry had those requirements. Fraudsters discovered that they could call in to those providers, make an address change over the phone, request a distribution and then have money sent to them electronically. They would then quickly move that money before anyone discovered the fraud.

Members of our industry have published best practices guidelines to further protect from fraud and AMI will be putting the following in place:

1. Name changes will need to come from the employer in writing, or provide evidence of the name change (marriage certificate, divorce decree, court order, etc.)
2. Participant supplied address changes will freeze a participant from receiving a loan or distribution for a period of 18 days after the reported change. This will allow enough time for our change notification letter to reach both the old and the new address and for possible fraud to be reported.
3. Distributions *in cash* over \$10,000 will require an additional identification step. For an in-service distribution, we will contact the company and ask to speak to the participant. For a terminated participant, we will contact them on a company provided phone number and/or use an alternative method to verify identity before the distribution takes place.

### ***How You Can Help Us to Prevent Fraud***

The best way that you can help us to prevent fraud is to make sure that AMI is notified in the event of an address change.

Also, when AMI sends out distribution or loan paperwork to the participant, we email the employer. If you see an email about a participant that appears to be incorrect, please notify us right away.

### ***QDRO Notes***

New guidelines now say that we do not need to “freeze” a participant’s account in a divorce/dissolution situation, unless we receive something official. This would include a court order such as a QDRO, restraining order, or a subpoena telling us there will be a QDRO, etc.

If anything related to a divorce/dissolution is sent to you regarding a plan participant, please send it to AMI for completion and response.

### ***More Reports Online***

AMI has added more reports to the web for plan sponsors and financial advisors:

1. ***Plan Testing -Contribution Analysis*** - contributions by participant by source for the date range specified.
2. ***Plan Testing – Detailed Account Summary*** – Summary of transactions by participant by source for the date range specified.
3. ***Plan Testing – Detailed Account Summary – EE Withdrawals*** – report of all withdrawals by participant for the date range specified.
4. ***Plan Testing – Ending Balances*** – quick report of the total ending balances by participant as of the date specified.