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November 12, 2014

Via: Email and Regular Mail

Mr. Keith Sawdon
Finance Director
City of Rochester Hills
1000 Rochester Hills Drive
Rochester Hills, MI 48309

Re: City of Rochester Hills Group Pension Plan

Dear Mr. Sawdon:

As we previously discussed, the Economic Growth and Taxpayer Relief Reconciliation Act of 2001 (EGTRRA) requires that if a Plan is cashing out a participant's account balance without the participant's permission, and that account balance is between \$1,000 and \$5,000 such distribution must be made to an IRA.

Governmental plans are not required to provide for the \$5,000 cash out however, if they do have this provision; the plan is required to be amended to include a distribution to an IRA for amounts of \$1,000 or more. Technically, this should have been part of your 2002 IRS Letter of Determination submission however, I have reviewed your file and it does not appear that your attorney included this amendment nor did the IRS realize that it was not included. Notwithstanding, I recommend that this proposed amendment be adopted at Council's earliest convenience.

If you have any questions or comments, please advise.

Very truly yours,

**SULLIVAN, WARD
ASHER & PATTON, P.C.**


Cynthia J. Billings

CJB/lak
Attachment
W1541808.DOCX

PROPOSED AMENDMENT

Article VI, Section 6.5 (b) should be amended and restated to insert the second paragraph as follows for compliance with the Economic Growth and Taxpayer Relief Reconciliation Act of 2001:

(b) If, for Plan Years beginning January 1, 1998, the value of the Participant's benefit derived from Employer and Employee contributions does not exceed \$5,000 (\$3,500 for Plan Years beginning prior to January 1, 1998), then the Administrator shall direct the Trustee to immediately distribute such benefit in a lump sum without the Participant's written consent. No distribution may be made under the preceding sentence after the Annuity Starting Date unless the Participant consents in writing (or in such form as permitted by the Internal Revenue Service) to such distribution.

In the event of a distribution greater than \$1,000 under this Section, if the Participant does not elect to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover, or to receive the distribution as a direct payment, then the Administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Administrator.