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IRS Proposal to Streamline the Retirement Plan Rollover Process

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Retirement plan sponsors should be aware of a new rollover process proposed by the IRS pursuant to Notice 2026-49 (the "***Notice***") intended to streamline the process of direct rollovers to or from a retirement plan. The Notice responds to Congress's direction under the SECURE 2.0 Act requiring the IRS to simplify and standardize the process.

The Notice includes sample forms and procedures designed to effectuate the following protocols: (i) protecting participants' personal identifying information, (ii) requiring direct communication between plans, (iii) utilizing a standard set of data, (iv) requiring plans to verify the accuracy of information, and (v) requiring electronic communications and rollover transfers to the maximum extent possible.

Although plan sponsors may modify the forms as necessary in accordance with applicable law, the sample forms contemplate a five-step rollover process utilizing four sample forms, which signal the IRS's intention to encourage retirement plans to communicate more directly with one another. In addition to the forms, the IRS is considering guidance in the future regarding the elimination of prior guidance that permits mailing paper checks to participants to complete a direct rollover, providing for new safe harbors based on the use of the sample forms in the Notice, and designating certain practices (such as requiring Medallion Signature Guarantees or distribution letters) as impermissible.

Plan sponsors should work with their third party administrators and outside counsel to update their relevant participant rollover forms to reflect these changes. The Notice is available here and is subject to a comment period through October 23, 2026.