

Memorandum

To: Rectors, Wardens, Treasurers, and Vestry Members

CC: Council of Trustees

From: Diocesan Finance Committee (David Poch and Canon Graffius)

Date: 4/5/2016

Re: Alert! Potential for Loss of Financial Assets.

A recent incident in which one of our parishes stood in danger of losing over \$130,000 has reminded us of changes in Pennsylvania's Abandoned and Unclaimed Property Law. This memo is to alert all Parishes and other entities in the Diocese of the threat of Escheat of Bank Accounts, Securities Holdings, Bonds and Mutual Fund accounts. Also, as a service to your parishioners, this may apply to personal accounts as well. We know of a documented account of a parishioner where this, in fact, has happened.

Background

All property in the state of Pennsylvania is susceptible to the rule of unclaimed property and subject to "escheat" if inactive for a period of 3 years. This law (Act 126 of 2014) changed from 5 years to 3 years the period before the holder of the property (i.e. a bank, broker or other holding agent) is required to turn inactive property over to the state. The amendment to the law also increases the penalties the holder pays for not turning property over by April 15 of the year following 3 years of inactivity. Escheated assets may be reclaimed by the original owner for up to 15 years following the escheat. (But you don't want to do the paperwork!)

Prevention

Financial property is the most vulnerable because it is easy to transfer and directly benefits the state budget. Also, institutional consolidation, new processing systems and accounting methodologies in the financial industry increase the likelihood that the escheat will be automatic and untouched by persons who know you or your ministry.

Every parish should review all accounts with any bank, broker, insurance agency or mutual fund company holding any and all operating funds and/or endowments. If there have been no deposits or withdrawals during the past 30 months make one of either now. This goes for CD's too, especially if they are automatically rolled over. A phone call to the banker or hello in church on Sunday is not sufficient. Dividends and interest paid automatically do not count as activity because they are automatic within the company's accounting system and not a documented contact. Look especially for any accounts that might have been used to keep funds for "special purpose". This could be Rector's discretionary funds, small bequests or savings accounts designated for specific situations. These accounts are sometimes forgotten over time or when inevitable changes in personnel occur.

Questions? Call Bill Graffius at the Diocese. 717.236.5959.