



A Needle in a Haystack

Making it easier to find missing participants and terminate plans

With the economy sputtering and businesses still struggling to survive, some companies have decided to terminate their retirement plans. That means they must return assets to participants, a chore made difficult when there are no current addresses for employees who had left the company.

It frequently falls on the shoulders of the plan adviser to walk sponsors through their obligations and efforts to locate missing participants.

“As an adviser, it’s our job to coach the sponsor as to their fiduciary and legal responsibilities and to take an active role in trying to get the money back to the participant,” says adviser David Boucher, Senior Vice President for Corporate Benefit Services with Longfellow Benefits, a consulting firm in Boston, Massachusetts. With that role in mind, following are some suggested areas advisers should discuss with clients:

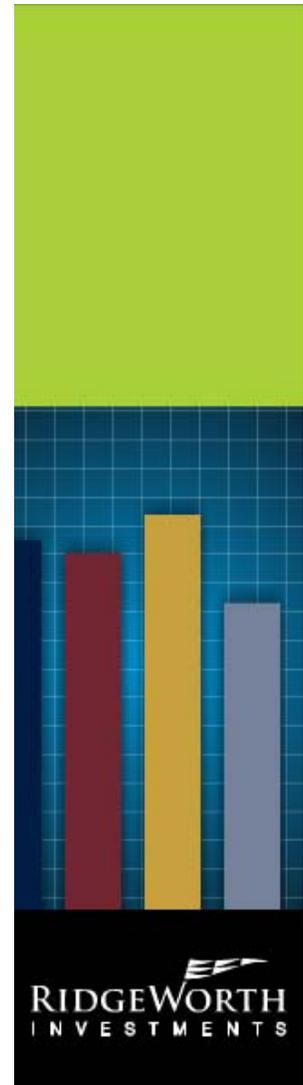
What legal issues must be addressed? Once the conclusion is reached to terminate a plan, advisers should look at a number of factors:

- The employer must honor all promised contributions that were committed prior to termination.
- Participants must be offered the option of receiving a direct distribution, even if the adviser thinks it wiser to roll assets into an IRA.
- The adviser should help the employer not only locate missing participants, but also ensure compliance with federal regulations on tracking down such participants.

How to find missing participants (on your own or outsourcing). Whatever route taken, advisers should be familiar with the Department of Labor’s Field Assistance Bulletin 2004-02, which lays out the proper process to follow to find a participant.

Federal regulations require that sponsors make a reasonable search for missing participants. Besides turning to the Internal Revenue Service (IRS) or a private vendor, advisers can go to the Social Security Administration for help, search by sending a letter to a last known address, talk with relatives or former co-workers, and look at other benefit plans or insurance policies of the missing person.

Rules vary depending on whether a missing participant is from a plan that is active, terminated, or abandoned, and advisers must know these differences. For instance, the requirements for finding a missing participant for a terminating plan are more rigid than for an active plan. They mandate, for example, that a certified letter be sent to a missing participant when a plan is terminated.



The IRS offers a service to help employers find participants by reporting the addresses used on their most recent tax returns. Many vendors offer similar services to find missing participants. Advisers can even conduct search efforts themselves using tools on the Internet. Vendors and the IRS charge fees for search services, which can be covered by assets from the missing participant's account.

Boucher says Longfellow mails out notices to employees listing their current account balances. If those mailers are returned, a search is begun, initially through the IRS service, which costs \$75 per participant. If the IRS provides a new address, another mailing is sent. If a participant still cannot be located, Longfellow might put the money in an IRA, the assets can be returned to an account with the service provider, or the assets can be turned over to the state as unclaimed property.

PenChecks, a processor of retirement plan distributions, is one vendor offering missing participant search services. PenChecks charges \$30 for a single search, but the price goes down to \$10 if an adviser comes in with 50 to 100 missing participants.

Whether the strategy is in the best interests of the participants. Terry Dunne, Senior Vice President with Millennium Trust Co., says the adviser should ensure that the participants' best interests are always kept paramount. That might mean selecting a custodian for the assets that offers good consulting services for the participant once he or she is found. The adviser, too, might benefit eventually, especially if a long-term relationship is established with the participant and the assets grow over the years.

Louis Berney



Copyright ©1989-2010 Asset International, Inc. All Rights Reserved. No Reproduction without Prior Authorization