

Keep Participants from Becoming Lost!



RETIREMENT MANAGEMENT SERVICES, LLC  
*Plan Consulting • Administration • Design*

RETIREMENT MANAGEMENT SERVICES, LLC  
905 Lily Creek Road Louisville, KY 40243  
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# Keep Participants from Becoming Lost



Judith Rohr, QKA, CRSP

**A**s a Plan Administrator, you probably know the struggle of locating a terminated participant who still has a balance in your company's retirement plan. You also know what a time-consuming and sometimes expensive process this can be.

Below are a few tips on how to increase your odds of keeping terminated participants from ever becoming lost.

- 1) Make it a general practice to have an emergency contact sheet with names, phone numbers, email and mailing addresses of the employee's relatives or close friends. Being able to contact someone's relatives can be a big help when searching for a missing participant.
- 2) Be sure you have a beneficiary designation form on file for every participant. Life changes happen frequently and suddenly, so it's a good idea to have participants review their designations annually. After the designations are completed, review them to make sure all phone numbers and addresses (including email) are listed for the designated beneficiaries.
- 3) Schedule an exit interview on the participant's last day of employment. If you can, sit down with him to explain his responsibility for keeping his address updated in the future. Remind him when he will be eligible to take a distribution from the plan and that he will continue to receive retirement plan statements, as well as notices, from the company. If the plan uses paper distribution forms, go ahead and give him the form and a copy of the tax notice. If participants can only apply for a distribution online, give him the instructions on how to do so.
- 4) Sitting down with the participant might be difficult, or impossible, in some industries. If that is the case, then as soon as possible after the participant terminates, send a notice or a letter to the participant's home explaining the above information.
- 5) If your plan contains a "cash-out" provision, make sure that you take advantage of it. If the participant's balance is below the cash-out threshold (usually \$1,000 or \$5,000), be proactive in trying to encourage the terminated participant to take a withdrawal and if he or she refuses to do so, then work with your Third Party Administrator and Recordkeeper to force the participant's balance from the plan into an Individual Retirement Account (IRA).
- 6) Don't delay. The longer you put off contacting terminated participants with balances, the easier it will be to "lose" them.