

Missing Participants



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Plan Consulting • Administration • Design

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When a company sponsors a 401(k) plan, it can assist in attracting strong job candidates, retain employees and boost morale. But, after a participant leaves employment, a plan administrator must continue to provide them with plan notices and communications until their account is paid in full. So, a plan administration can get frustrated when these individuals go missing as they continue to have fiduciary duties to find and communicate with them.

Staying in touch with plan participants is a fiduciary duty and particularly important when plans are terminating or when the missing participants reach the age when they must take required minimum distributions (RMDs) from their retirement plans. With all the advancements in digital communications, it should be easier to find missing participants, but, unfortunately, that is not the case due to the fact that employees change jobs more frequently and move more often, including, internationally.

Missing participants include terminated participants that leave behind money in their retirement plans or are eligible for benefits, but have lost contact with the plan. These participants may fail to respond to emails or move without notifying the employer or plan sponsor.

What are some of the best practices to minimize and mitigate the problem of missing or nonresponsive participants?

Small Balance Cash Out

First, we need to make sure the plan has small balance cash out provisions in order to take advantage of using this option to clean up terminated participants with small balances. Generally, small balance cash out refers to the process whereby separated participants with less than \$7,000 can get forced out of the plan and rolled into a safe harbor IRA. Safe Harbor IRA refers to the specialized individual retirement account (IRA) that's established when a participant of a qualified retirement savings plan is "forced out". Small balance cash out does not apply to active employee participants (any balance) or to former employees with balances greater than \$7,000. Both of these groups are not subject to force out and can elect to stay in the plan. Contact your Account Executive to determine if your plan allows small balance cash out provisions. If not, discuss the procedure to add the provisions. Plans that elect to implement mandatory distribution programs often see a benefit in "cleaning up" their plan from a build-up of small balance accounts. Small balance accounts can cause administrative burdens (ex. – lost & missing participants, uncashed distribution checks, etc.) and increased plan costs.

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Implement Effective Communication Strategies

Use plain language and offer non-English language assistance when appropriate. State upfront and prominently what the communication is about.

Encourage contact through plan/plan sponsor websites and toll-free numbers. Build steps to confirm contact information and when benefits are due and owed into the plan onboarding processes for new employees and exit processes for separating employees. Communicate how the plan can help eligible employees consolidate accounts from prior employer plans or roll over individual retirement accounts (IRAs). Clearly mark envelopes with the original plan or sponsor name for participants who separated before the plan name changed and indicate that the communication relates to pension benefit rights.

Maintain Accurate Census Information for the Plan's Participant Population

Annually contact current, terminated and retired participants, as well as, beneficiaries to confirm or update their contact information, such as, addresses and beneficiaries. Send information and notices to terminated participants through U.S. Postal Service Certified Mail or a private delivery service with similar tracking features, whichever is less expensive, to the last known mailing address. Save any returned documentation in the employee files to prove you have attempted to contact that participant. Some plan sponsors maintain an online platform that allows participants to update contact information and possibly provide prompts to confirm contact information upon login. In the event of a business merger or acquisition by the plan sponsor, make missing participant searches, related plan and employer records part of the transfer of records. Regularly audit census information and correct data errors, as well as, documenting the plan's policies, procedures, key decisions and actions.

Conduct Missing Participant Searches

Conduct missing participant searches by checking related benefit plans and employer records for participant, beneficiary and next of kin/emergency contact information. It's possible that the employee's payroll or health plan records may have more up-to-date information. Checking with designated plan beneficiaries and the employee's emergency contacts for updated contact information is another resource. If there are privacy concerns, ask the beneficiary or emergency contact to forward a letter to the missing participant.

Use free online search engines, public record databases, obituaries and social media to locate individuals. Commercial locator services are another viable option, as well as, a credit-reporting agency or a proprietary internet search tool to locate individuals. The plan sponsor may want to contact the missing participant via other available means, such as, email addresses, telephone and text numbers and social media.

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If participants are nonresponsive over time, perform death searches or use death audit services to confirm a participant's death and redirect communications to beneficiaries. Reach out to colleagues by publishing a list of "missing" participants on the company's intranet, in email notices to current employees or in communications with other retirees already receiving benefits.

Similarly, for unionized employees, reach out to the union's local offices and through union member communications to find missing retirees. Register missing participants on public and private pension registries with privacy and cyber security protections (e.g., National Registry of Unclaimed Retirement Benefits), and publicize the registry through emails, newsletters and other communications to current employees, union members and retirees.

Summary

Several provisions in the SECURE 2.0 Act may help employers and plan sponsors find missing participants or reduce the number of those who go missing. Challenges remain, however, so the best approach is to be proactive and put steps in place that will help the plan maintain contact with participants.



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