Lost Participant Tracking and Maintenance

Employers who sponsor qualified retirement plans and record-keepers like Sentinel, may need to locate missing or unresponsive participants (or beneficiaries) who are due a benefit under the plan. The DOL and IRS have identified guidance to help. Additionally, there are best practices and procedures a Sponsor can implement to minimize the occurrence of missing participants.

Why Monitor Lost or Unresponsive Participants?

Failure to take necessary steps to locate missing participants is a breach of fiduciary duty and could put the company's retirement plan at risk of disqualification. While it is a Plan Sponsor's fiduciary responsibility to maintain records of participants, Sentinel helps support Sponsors in the process.

Searching for Updated Participant Information

The first point of contact in attempting to locate a participant is the plan sponsor. Sentinel will look to confirm that the last known address on file with the Plan Sponsor agrees with our records. A sponsor must ensure all reasonable attempts are made to locate the individual. This include the following:

1. **Use Free Electronic Search Tools**. Plan fiduciaries must make reasonable use of Internet search tools that do not charge a fee to search for a missing participant or beneficiary. Such online services include Internet search engines, public record databases (such as those for licenses, mortgages and real estate taxes), obituaries and social media.
2. **Sentinel to Search.** Sentinel will perform a participant address lookup using 3rd party services. A fee of $25 applies for each search and will be assessed to the impacted participant's account as an account maintenance fee.
3. **Use Certified Mail**. Certified mail is an easy way to find out, at little cost, whether the participant can be located in order to distribute benefits or required notice.
4. **Check Related Plan and Employer Records** . While the records of the plan may not contain current address information, it is possible that the employer or another of the employer's plans, such as a group health plan, may have more up-to-date information. For this reason, plan fiduciaries must ask both the employer and administrator(s) of related plans to search their records for a more current address for the missing participant. If there are privacy concerns, the plan fiduciary engaged in the search can request that the employer or other plan fiduciary contact or forward a letter to the missing participant or beneficiary. The letter would request that the missing participant or beneficiary contact the searching plan fiduciary.
5. **Check With Designated Plan Beneficiary**. In searching the plan's records or the records of related plans, plan fiduciaries must try to identify and contact any individual that the missing participant has designated as a beneficiary (e.g., spouse, children, etc.) to find updated contact information for the missing participant. Again, if there are privacy concerns, the plan fiduciary can request that the designated beneficiary contact or forward a letter to the missing participant or beneficiary.

Despite the lack of clear guidance, plan fiduciaries are generally advised to consider DOL FAB 2014-01 when reviewing their procedures for dealing with missing participants. The key to success is to develop an effective plan governance strategy. Demonstrating persistence can also help establish that you are acting in good faith in the event of plan audit.

DOL FAB 2014-01 can be found here: DOL FAB-2014-01.pdf

Best Practices for Maintaining Participant Records:

- Review your service provider's capabilities for identifying and attempting to locate missing participants.
- Regularly update contact information for current participants and include a reminder in the summary plan description and other participant communications to advise the plan sponsor of any changes.
- Maintain multiple points of contact *(mailing addresses, phone numbers, emails, etc.)*. This could include, for example, soliciting a next of kin/emergency contact number from all participants who reach age 65. It could also include contacting co-workers of missing participants.
- Take advantage of any automatic lump sum distribution options as soon as possible after termination to limit issues that may arise due to the passage of time.
- Keep good records and make a deliberate effort to update and keep records current. Ensure that in the case of a merger or

acquisition or change in provider, the appropriate records are passed along to the successor company and/or TPA.
- Ensure you are familiar with your Plan's distribution provisions, specifically for mandatory distributions.
- Building steps into the employer and plan onboarding and enrollment process for new employees, and exit process for separated or retiring employees (to verify contact information, request any other necessary information, and advise on the benefits owed to the participant.)

A sample procedure checklist to track the Missing Participant process can be found here: Procedure Checklist for Missing Participants in Defined Contribution Plans.docx

Returned mail for a required participant notices, disclosures, document changes and investment changes

For returned notices, the requirements to locate missing participants is to conduct a reasonable and diligent search. The steps outlined above should be taken before declaring a participant lost. Note that all steps may not apply to every situation. If a new address is obtained from the search, the notice should be resent. A diligent policy in distributing notices should be as followed in the event mail is returned:

1. Perform a participant address lookup following the steps noted above.
2. **If a more recent address is found** - update your employee file and mail out the new notice.
3. **If a more recent address is not found or second attempt is returned:** Keep documentation in employee file demonstrating the steps above have been followed in good faith effort to locate the participant. Shred the document.