



Expanded Missing Participants Program: What Plan Sponsors Need to Know About Terminating Plans

The Pension Benefit Guaranty Corporation (PBGC) is helping defined contribution (DC) and other plan sponsors looking to terminate their plans by expanding its Missing Participants Program.

For more than 20 years, the program has been available to PBGC-insured single employer defined benefit (DB) plans only. Now, the final rule, published in the [Federal Register](#) on Dec. 22, 2017, helps more plan sponsors with the tedious issue of locating missing participants when closing out plans and increases the likelihood that more participants will be reunited with their lost retirement money.

Plans terminating after Dec. 31, 2017, can participate in the voluntary program, including:

- 401(k)s and other DC plans
- Multiemployer DB plans covered by Title IV of the Employee Retirement Income Security Act (ERISA) of 1974
- Professional service employer plans with 25 or fewer participants
- Single-employer DB plans

To help clients take full advantage of the expanded Missing Participants Program, we've outlined the most important changes to the program and highlighted what they mean for plan sponsors terminating their plans.

What's Changed in the Missing Participants Program

In general, before transferring assets to the PBGC, DC plan sponsors need to follow guidelines issued in the Labor Department's [Field Assistance Bulletin \(FAB\) 2014-01](#) outlining the fiduciary duties for those terminating plans.

The new rule stipulates that plan sponsors need to have "reasonable certainty" that the participant's whereabouts is unknown when the plan is being closed out. Examples in the rule include notices to the participant's last known address getting returned as undeliverable or uncashed

distribution checks. Participants can also be considered missing if they do not elect a form of distribution after being given notice of a plan's termination.

Then, DC plan sponsors need to follow the five points outlined in the FAB to satisfy the required "diligent search" step. Rules for DB plans have eased, giving them options on the procedure in order to pass the check.

Plan sponsors can transfer missing participant benefits to the PBGC instead of opening an Individual Retirement Account or annuity; the PBGC charges a one-time fee of \$35 per account for these transfers. The PBGC will not charge a fee for accounts of \$250 or less, nor will it charge for simply reporting information on where the benefits are held. The PBGC also simplified the method DB plan sponsors need to use in determining the appropriate amount to transfer to the agency.

Participants from all types of plans who qualify for the program will be listed in the agency's searchable database of missing participants and beneficiaries. The agency will also periodically search for missing participants. When one is found, the PBGC will pay out the benefit with interest. There will be no distribution charge.

The PBGC added an anti-cherry-picking clause that says any plan that uses the program must transfer all missing participants to the agency, instead of selectively moving certain accounts.

Insights: What the Changes Mean for Plan Sponsors

Often, plan sponsors don't realize how time consuming or difficult it can be to find missing participants. It has been a chronic problem for plan sponsors and is frequently left as a last-minute task that can overwhelm already limited resources.



This final rule eliminates unnecessary hoops and gives DB and DC plan sponsors a new, more useful option when dealing with missing participants. It eases the definition of missing participant and gives flexibility for DB plans in diligent search rules. Meanwhile, the database of missing participants will be user-friendly, with information from DB and DC plans. Centralizing information from various plans will increase the likelihood that benefits will be distributed appropriately, or will direct participants to where benefits are being held.

To help plan sponsors understand and take advantage of the expanded program, the PBGC created a [webpage](#) outlining the specific requirement variations and forms necessary for each type of plan.