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Missing Participants Matter: How to Overcome the Issue

In this article, CAPTRUST's Mike Webb provides an expert look at the problem of missing retirement plan participants. Armed with institutional insights on why it happens, why plan sponsors should care, and what they can do to break the cycle—Webb digs in on reuniting participants with their money.

Missing participants are former employees who leave funds in an employer's retirement plan but fail to keep their contact information current. These participants are no longer actively engaged in the management of their accounts—and the problems they cause for plan administrators are only increasing.

Missing participants do not receive important communications about their accounts. For example, they miss out on fee disclosures, fund changes, or communications about recordkeeper transitions. They may even forget about their accounts. Worse, with limited or no engagement, participants' retirement readiness suffers.

For plan sponsors, missing participants can increase plan costs due to their negative impact on average account balances. They may also pose a significant administrative burden and increase fiduciary risk, including the potential for Department of Labor (DOL) audits.

While most organizations struggle with missing participants, there plan sponsors can take steps to address the issue. In January, the DOL released guidance on locating missing participants. This new guidance expands on past bulletins that focused primarily on enforcement. Here are a few takeaways.

Finding Missing Participants

A plan's recordkeeper or third-party administrator (TPA) can serve as a partner in locating missing participants. Plan sponsors can ask their TPAs which methods they utilize and consider implementing additional ones.

Plan sponsors should keep in mind that incorrect addresses often result in missing participants. For example, typos such as zip code errors, misspelled street names, or the omission of an apartment number can be enough to lose track of someone.

Plan sponsors looking for missing participants can search historical plan records and any related plan date and documents on file. Check benefit and employment records and alternative contact information. Public records for licenses, mortgages, and real estate taxes—or even the phone book—are other sources for contact information.

While sometimes viewed as an outdated approach, mail to the last known mailing address can work. The DOL recommends using certified mail through the U.S. Postal Service (USPS). Beyond that, plan sponsors should try email, telephone, text message, and social media. Engaging former colleagues or publishing a list of missing participants on the company intranet can also be successful. Another resource is the Social Security Death Index, a database of names and dates of birth and death for over 77 million Americans.

How to Prevent Missing Participants

To limit the number of future missing participants, plan sponsors have a few options. Consider rolling over terminated employees' account balances of $5,000 or less to an individual retirement account (IRA). Also, talk to the plan's recordkeeper or TPA and ensure undeliverable mail and uncashed checks get flagged for follow-up.

Engaging participants before they go missing helps, too. Plan sponsors should encourage employees to keep their retirement plan contact information current. Communicating this, along with cybersecurity best practices, such as regularly updating passwords, is good procedure for plan sponsors. Another proactive option is to conduct preventive searches on an annual or semi-annual basis for all terminated participants.

By making a good-faith effort to locate participants—and taking steps to prevent them from going missing in the first place—plan sponsors can help protect themselves and ensure all plan participants receive the retirement plan assets that they are entitled.

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