Benefits Corner

Returned Mail and Missing Participants: Get on the Case

Plan administrators do not look forward to returned mail. It leaves loose ends in employee data, and requires the administrator to add detective duties into an already crowded schedule. And that's to say nothing of the real problem: Retirement plans are for the benefit of the participants, and if you can't find someone, they can't benefit from it.

Thomas Lawson is the CEO of APSCREEN, a company that provides pre-employment screening and related services to employers. One branch of his business is EmployeeLocator.com, the sole purpose of which is to find those participants who generate that annoying returned mail for you.

Conducting some kind of a search for missing participants is a mandate from the Internal Revenue Service and the U.S. Department of Labor, says Lawson. And the need is greater now than it was a few years ago.

"In the old days you didn't get a lot of returned mail, because the forwarding orders at the post office would expire in a year," Lawson says. "Now they expire in 6 months. So if you have a former employee move twice in a year, you can send his benefit statement to his last known address and not find him. And you're forced under both the IRS and the ERISA rules to do some kind of due diligence in looking for him."

"There are people out there who have had four or five jobs, and 401(k) money in all four or five of those places," Lawson says. "By law, as long as you are a vested participant in a plan, you have to have an annual statement as to the status of your position within that plan. Sometimes people just lose track of their 401(k) plans—they just forget."

By performing a thorough search for missing participants, you're meeting the original goal of the plan—helping employees (or former employees) accumulate funds for retirement. But you're also helping the plan in general when you find people to whom the plan owes money. The cost of maintaining an account can add up.

"You're allowed to assess a fee to the plan for each account holder," Lawson says. "But there is a point when you can no longer assess the fee, because the person doesn't have the right to dispute it because they don't have a statement. You can't have a person in a 401(k) that hasn't been located for 20 years, and he had $10,000 20 years ago, and now he's got $4 left because fees ate it up."

That leaves the overall plan paying the expenses for messy data, something plan administrators don't want. "They want their files clean," says Lawson. "They want good data, and people found. They hate these pieces of mail that come back."

'Missing' Money Helps

When asked if he knows of any 'feel-good' stories about finding missing plan participants, Tom Lawson of APSCREEN doesn't hesitate. "Every single day we have 20 of those," he says. "We do hundreds, if not thousands, of these (searches) a day. When a person discovers they have money coming, it's a heart-warming story, especially if they've forgotten about it.

"There is one case in particular I'll never forget. There was a lady in the hospital, very ill. Her insurance was running out, and she was way past retirement age. Her family was poor.

"We found about $16,000 in a plan that she had forgotten about. It paid her medical bills. She kept in touch with me for about 5 years after that, until she died. That was one of the first ones I did, and it was really cool.

"About 20 percent of the time we find that the person we're looking for is deceased," Lawson continues. "That means that his or her heirs have money coming, which is a nice surprise for them."

The beneficiary is happy, and the plan administrator is happy to locate the missing individual.

ABOUT THIS NEWSLETTER

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