

Missing or Unresponsive Participants and Required Distributions from Qualified Retirement Plans

April 28, 2017

It is often difficult for retirement plans to maintain current addresses for terminated participants. If distributions are not made (or are not permitted) at the time of a participant's employment termination, the plan is required to make sure distributions are taken or begin either at the plan's normal retirement date or when the participant reaches age 70 ??, depending on the plan's terms. If the plan does not comply with the plan's distribution requirements, the plan risks disqualification. When discovered, on audit or otherwise, the plan must correct the noncompliance which often involves paying fees or penalties to avoid plan disqualification. To avoid these problems, employers should take the following steps:

- Examine your plan to determine when distributions are required. Many plans require the participant to file a claim to begin their benefits and do not require distributions to begin at normal retirement date. In those circumstances, distributions must begin when the participant reaches age 70 ?? regardless of whether a claim has been filed.
- Review your procedures for locating missing participants. Prior to the time when distributions must begin under the plan's terms, procedures should be initiated to locate missing participants. The IRS and DOL have specified processes which plan fiduciaries must follow to attempt to locate missing participants.
- Notify participants that they must begin distributions at the required time.
- Establish procedures to address participants who remain missing or don't respond to notifications. If participants can't be located or do not respond to notices, the plan should determine what procedure it will use to address the required distributions that cannot be made. There are several different approaches which can be taken, and one or more of those approaches may require additional plan amendments.