

JUNE 2019

Missing Participants in a Standard Termination

Employers who choose to terminate their fully funded PBGC-insured single-employer pension plans must distribute all plan benefits to workers and retirees before completely ending the plan. If a participant cannot be located or is unresponsive, the plan administrator must either purchase an annuity from a private insurer in that person's name or send funds to the PBGC for distribution once the participant is found.

In late 2017, several changes were made to the PBGC's Missing Participant Program for plans terminating on or after January 1, 2018. The key changes were:

- Expanding the program to cover other types of terminating retirement plans (e.g., 401(k) plans and multi-employer plans), and
- With respect to PBGC-insured single-employer plans, revising
 - the methodology for determining the amount of money to transfer to the PBGC,
 - the diligent search requirements with respect to timing and what is reasonable, and
 - the detailed reporting requirements.

THE BENEFIT TRANSFER AMOUNT

In general, the amount of funds to transfer to the PBGC with respect to a missing participant is the present value of the participant's accrued benefit as of a benefit determination date, including any missed payments. The assumptions and methods used to calculate the present value will vary depending on whether the participant would have, or could have, received a lump sum had the participant not been missing when the plan terminated.

There are three scenarios for determining the Benefit Transfer Amount for a missing participant:

1. If the benefit's present value determined under the plan's normal assumptions for calculating lump sums is *de minimis* (less than \$5,000), the Benefit Transfer Amount is equal to the lump sum determined under the plan's normal lump sum assumptions.
2. If the benefit's present value is **not de minimis** and the participant could **not** have elected a lump sum under the plan, the Benefit Transfer Amount is equal to the present value of the benefit using certain PBGC mandated assumptions plus any missed payments with interest.
3. If the benefit's present value is **not de minimis** and the participant **could have** elected a lump sum under the plan, the Benefit Transfer Amount is the greater of 1 or 2.

DILIGENT SEARCH REQUIREMENTS

- The search must be conducted within 9 months before filing the PBGC Form MP-100.
- If normal retirement benefits exceeds \$50/month, the plan must use a commercial locator service.

REPORTING

- Filing of the PBGC Form MP-100 is due 30 days after the last distribution date.
- Schedule A of this form shows participants for whom an annuity was purchased.
- Schedule B of this form shows participants for whom a Benefit Transfer Amount is paid to the PBGC.
- An administrative fee of \$35/participant is required for all participants whose Benefit Transfer Amounts exceed \$250.

If you are nearing a plan termination, we can assist you with these issues and the necessary calculations. Please contact Jim Ritchie at 443-573-3924.