What are my responsibilities when a participant terminates employment with assets in the plan?

In recent years, a trend in participant education has changed from enrollment and contributions to giving more advice to job changers and retirees. Now, plan sponsors can and should explain the tax implications of taking a cash distribution in the form of a lump sum, as well as alternative options.

> ***Financial professionals with GF Pension Corp. are available to work with your participants when they are close to, or already have, terminated service.***

Can I force participants out of my plan?

The IRS provides the guidance plan sponsors need to comply with to process automatic rollovers out of their plans. Section 401(a)(31)(B) of the Economic Growth and Tax Relief Reconciliation Act of 2001, requires tax-favored retirement plans that make mandatory rollover to terminated participants with account balances of less than $5,000, to transfer the assets to an Individual Retirement Account (IRA) selected by the plan sponsor. If the terminated participant account is less than $1,000, generally the account may be paid out directly to the participant as a lump sum distribution.

Under the Department of Labor Safe Harbor, a plan sponsor is deemed to meet its fiduciary responsibility in the selection of an IRA and an investment fund if:

- The amount of the rollover is no more than $5,000 plus any amounts that the participant had rolled into the plan from another plan
- The rollover is to an IRA that meets IRC standards and requirements, maintained by a regulated financial institution that meets the IRC criteria for IRA sponsors, and a plan fiduciary enters into a written agreement with the IRA sponsor for the benefit of the affected participants
- The funds in the default IRA are invested in a money market fund, interest-bearing savings account, certificate of deposit, or similar stable value investment fund
- Fees and expenses charged to the default IRA do not exceed the fees and expenses charged by comparable IRA sponsors
- Participants are given an explanation of the plan's new rollover provisions prior to being made automatic

What about lost participants?

The DOL provides four mandatory search methods that are used by all fiduciaries to attempt to locate a participant prior to the participant being classified as lost.

1. Mail the distribution packet via certified mail.
2. Check related plan records for any other address for the participant
3. Check with the participant's beneficiary to attempt to locate the participant
4. Make use of either the IRA or Social Security Administration's letter forwarding services to send the participant the required distribution forms. (The IRS [www.irs.gov] and SSA [www.ssa.gov] have published guidelines.)