



Social Security Administration eliminates its letter-forwarding service

On April 17, 2014, the Social Security Administration (SSA) announced that it would be discontinuing its letter-forwarding service effective May 19, 2014.

This action follows similar action taken by the IRS, which eliminated a portion of its letter-forwarding service in 2012.

Since 1945, the SSA has offered a letter-forwarding service to individuals, groups and governmental agencies that have been unsuccessful in their attempts to contact individuals for any number of reasons. In situations where an individual was being sought because they were owed something of value, the SSA charged \$35 for this service. If the search was related to a "humanitarian" request, the service was provided for free. Now that the public has widespread access to the Internet and alternative locator services, the SSA has determined that elimination of this service would be a justifiable cost-saving measure.

Why this action may be important to plan sponsors

When administering qualified plans, plan administrators and their service providers often encounter lost/missing participant situations. In general, lost participants are participants whose mail is returned to the sender as undeliverable and unforwardable, as well as participants who fail to cash distribution checks in a reasonable period of time. These individuals are especially problematic when:

- A plan is required to distribute required minimum distributions (RMDs) or nondiscrimination test corrective distributions;
- A corrective distribution is required in order to correct a plan failure under the Employee Plans Compliance Resolution System (EPCRS);
- A terminating plan is attempting to distribute all plan assets to complete the plan termination.

In addition, many plan documents contain provisions permitting lost participants' benefits to be forfeited to the plan if a diligent search has proven fruitless, as long as the benefit will be restored if the participant or beneficiary ever comes forward and makes a claim for it.

In several pieces of official guidance, the IRS has indicated that use of the SSA letter-forwarding service would be considered a good faith effort to locate a missing participant. The Department of Labor also included this option in Field Assistance Bulletin 2004-02 discussing fiduciary duties with respect to missing participants in terminated defined contribution plans.

Plan procedures may need revision

Many service providers, such as Prudential Retirement, have turned away from using governmental letter-forwarding services and instead use commercial locator services when there is a need to locate missing participants. However, plan sponsors that undertake these searches on their own, either as standard operating procedure or as the result of a specific event (e.g., EPCRS correction or plan termination), need to be aware that this SSA service is no longer available and adjust their own procedures accordingly.

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