



Risk Compliance Performance
SOLUTIONS



RETIREMENT PLAN / MANAGEMENT

A Division of RCP

RETIREMENT PLAN PARTICIPANT RISKS

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November 2017

OVERVIEW

- Who We Are
- Who We Help
- Risks We Address
 - Focus For Today
 - Missing Participants
 - Stale Checks
- Q&A

Who We Are

- Since 1949
 - “de-risking” populations
 - Cutting costs for clients
 - Providing seamless solutions
 - Leverage core products to build new service
 - Reuniting and maintaining connection between people and assets for years in multiple industries
 - Pain-point support
 - Discuss client needs and build solutions

Who We Are

- Areas of Practice
 - Risk Mitigation
 - ERISA
 - DOL Audit Support
 - Client Centered solutions
 - Client Communications
 - Call Center Services

Who We Help

- Providers
 - Record Keepers
 - Custodians
 - Consultants
- Plan Sponsors
- Benefit Exchanges
- Outplacement Firms

Risks We Address

- Missing Participants
- Stale Check Resolution
- Beneficiary Location
- DC Plan Terminations
- Participant Data Quality Analysis
- Mortality Audits

RESULTS

- Locate 97.2%
- Confirm 42.1%
- Phone Number 92.1%
- Beneficiary Search 91.9%
 - Probable 1st Degree Relative

What is the Impact of Missing Participants?

How do they apply to the retirement world?

- Active Plans – Terminated participants can reside in active plans.
- Terminated Plans – When a company decides to do away with their defined benefit or defined contribution plan.
- Abandoned Plans – Plan administrator and/or Plan Sponsor abandon their responsibilities regarding the plan.
- Un-Cashed Checks – Participants failing to cash their check or can't be located.

Who are Missing Participants?

Most record keepers indicate that 10-15% of their address records are inaccurate!



- **Terminated Employees in Active Plans who:**
 - Have undeliverable addresses
 - Have uncashed checks
 - Are deceased
- **Terminated Employees in Terminated /Abandoned Plans who:**
 - Have not responded to distribution notices
 - Have uncashed checks in the plan
 - Are deceased
 - Have undeliverable addresses

Main Reasons for Missing Participants

Personal Circumstances

- Terminated employment
- Move to a new address
- Marital Status changes
- Name Changes
- Incarceration
- Deceased

UNKNOWN RISK

- Mail gets through but owner doesn't live there
 - Separation/Divorce
 - Current owner throws in trash
 - Live in nursing home, etc.
- Important to address
 - Lump Sum/De-Risking Initiatives
 - Approaching Certain Age
 - Projects where participant data quality is critical

Terminated Participant Accounts in Plans (DOL)

1989 – 2,457,000
2005 – 12,452,000
2020 – *20,000,000

Information offered at PSCA Annual Conference

*Estimated

Implications for Record Keepers

- What are we doing to locate and connect with missing participants?
- Is there a value added service for our clients that prevents this risk from happening?

What are Plans Sponsors Doing Today?

- Nothing – Unaware of Issue
- Searches
- Search and Confirmation Mailings
- IRS Letter Forwarding Service – Discontinued as of August 31, 2012
- Social Security Administration Letter Forwarding Service – Discontinued as of May 19, 2014



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What is the Expectation From the Plan Sponsor in Addressing Missing Participants?

- Understand their Fiduciary responsibility and contract to have these services performed
- Don't understand their Fiduciary responsibility and look to their Record Keeper for help on understanding these issues
- Look to their Record Keeper to provide these types of services as either part of their agreement or as an optional service to help them with this issue

What is the impact from a Plan Sponsor perspective?

- Why are missing participants a problem for a Plan Sponsor?
- What has the provider done historically to address it?
- What were the benefits of our provider having a solution?
- The value of meaningful results vs. “checking a box”



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What are the Challenges as the Record Keeper in helping Plan Sponsors Address Missing Participants?

- Not being viewed or identified as the “Fiduciary”
- How to prevent clients wanting things 20 different ways to avoid efficiency
- How to provide an “out of the box” solution for Plan Sponsor clients
- Operational costs
- Communication Requirements
- Reduce Fiduciary responsibility/risk for their clients
- Even if they make best efforts – issues arise

What is the Impact of Un-Cashed Checks?

- Active Plan Risks
 - Plan Sponsor
 - Record Keeper, TPA or Custodian
- Terminated Plan Risks
 - Plan Sponsor
 - Record Keeper, TPA or Custodian

Un-Cashed Checks

- Types of Checks
 - Are they ERISA protected property?
- Risks
- Escheat issues
- How do you handle un-cashed checks internally in your organization?
- Concerns from regulators – are participants getting their money?
- Audit concerns vs. Income?
- Opportunity for value added service for clients

The Size of the Problem

A mid-sized Record Keeper with Active Plans

- Checks sent annually
 - 16,000 per year that are never cashed because they are returned from the Post Office (RPO) as undeliverable
 - 7,200 that are delivered but remained un-cashed
- Our CBA: \$243,460 excluding any hard costs of re-mailing and re-issuing checks.



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Plan Sponsor – Large Retailer Stale Dated

CHECK TYPE	SEGMENT	VALUE	CHECKS
LNOVP	NA	\$ 13,720.57	361
1099r No	0-38	\$ 13.26	2
1099r No	38.01-999	\$ 6,372.27	11
1099r No	1000 up	\$ 65,224.39	19
1099r Yes	0-38	\$ 36,985.02	2764
1099r Yes	38.01-999	\$ 733,655.22	3488
1099r Yes	1000 up	\$ 216,304.54	88
TOTALS		\$ 1,072,275.27	6733

CURRENT INVESTIGATIONS

- DB Fortune 500
 - MISSING PARTICIPANTS
 - TIMELY PAYMENTS

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