KPMG

This Week in State Tax (TWIST)

February 3, 2025

Multistate: ERISA Says Small IRA Payments Can Be Escheated as Unclaimed Property

On January 14, 2025, the U.S. Department of Labor (Department) issued Field Assistance Bulletin 2025-01 outlining its temporary enforcement policy under the Employee Retirement Income Security Act of 1974 (ERISA) as it applies to small retirement benefit payments owed to missing participants or beneficiaries. Pending further guidance, the Department will not pursue an ERISA violation involving a voluntary decision by a plan fiduciary to transfer small retirement benefit payments (under $1,000) of missing participants or beneficiaries to an “eligible” state unclaimed property division. The state unclaimed property program must meet certain conditions, including providing streamlined processing for small claims (e.g., claims of $1,000 or less); diligently searching at least annually for an updated address for missing participants and beneficiaries for amounts exceeding $50; and, upon obtaining an updated address, notifying the owner in writing that the state fund is holding the owner's asset.

For missing participants or beneficiaries, ERISA requires plan fiduciaries to exercise prudent and loyal judgment in handling retirement benefit payments. The Department previously identified "individual retirement plans" (IRAs) as the preferred destination for a distribution from a retirement account or benefit owed to a missing participant or beneficiary from a terminated defined contribution plan. As noted in the bulletin and pending further guidance, the Department will not pursue violations under ERISA for plan fiduciaries that voluntarily decide to transfer retirement benefit payments (including uncashed checks) owed to a missing participant or beneficiary from an ongoing plan to a state unclaimed property fund, if the value of the participant's or beneficiary's nonforfeitable benefit is $1,000 or less and the plan fiduciary complies with conditions outlined in the bulletin. This is a significant change in the handling of certain ERISA-covered benefits and may alter the compliance obligations of plan fiduciaries. For more information please contact: Will King, Marion Acord, Ryan Hagerty, Keela Ross, Karen Anderson, or Quin Moore.