

The logo for the Pension Benefits Guaranty Corporation (PBGC) is displayed in a large, bold, blue sans-serif font. The letters are 'P', 'B', 'G', and 'C'. The background of the slide features a grid of colored squares: a light blue square in the top-left, a light grey square in the top-right, a medium blue square in the middle-right, a dark blue square in the middle-left, and a teal square in the bottom-left.

PBGC

FEASIBILITY OF EXPANDING PBGC'S MISSING PARTICIPANTS PROGRAM

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Frequently Used Abbreviations

Code	Internal Revenue Code of 1986, as amended
DC	Defined contribution
DOL	Department of Labor
EBSA	Employee Benefits Security Administration
ERISA	Employee Retirement Income Security Act of 1974, as amended
GAO	United States Government Accountability Office
IRA	Individual retirement account
IRS	Internal Revenue Service
MPP	Missing Participants Program
PBGC	Pension Benefit Guaranty Corporation
RPA	Retirement Protection Act of 1994
SECURE 2.0	SECURE 2.0 Act of 2022

FEASIBILITY OF EXPANDING PBGC'S MISSING PARTICIPANTS PROGRAM

Executive Summary

This report to Congress responds to a recommendation by the United States Government Accountability Office (GAO) that the Pension Benefit Guaranty Corporation (PBGC) assess and report on the feasibility of expanding the PBGC's Missing Participants Program (MPP) to act as a central consolidator of small inactive accounts for ongoing 401(k) plans.

The report summarizes the history of PBGC's MPP and presents consolidated statistics for the portion of the program which accepts transfers from terminated 401(k) and certain other defined contribution plans. It then summarizes PBGC staff review of recent activity in federal, state and private-sector initiatives related to the topic of consolidating inactive defined contribution plan account balances and suggests options that Congress might consider in structuring the functions of a central consolidator of accounts.

As a result of PBGC's study, we do not believe it feasible to simply expand the current MPP. The scope and scale of potential incoming inactive accounts transferred from ongoing 401(k) plans would require a new system to be developed to manage accounts in a manner consistent with ongoing defined contribution plans and potentially additional systems to develop and manage reporting of new defined contribution account balances. Should Congress determine the need for a central consolidator of inactive 401(k) accounts, we present various policy and design issues. Furthermore, we suggest that any such legislation consider how the range of federal, state government and private-sector actors that are innovating in the defined contribution space would best be included in such legislation.

Background

GAO Report

In a 2024 report (GAO Report), GAO studied "...access to 401(k) plan savings during the pandemic in 2020 and challenges participants have rolling over their retirement savings

from one plan to another, both abroad and in the U.S.”¹ The GAO Report looked at how governments in six countries assist retirement plan participants in managing their retirement savings, including through the use of pension dashboards and other approaches. GAO made recommendations to Congress and to the three ERISA agencies (Department of Labor (DOL), Treasury/Internal Revenue Service (IRS), and PBGC) regarding potential actions that could be taken to help participants manage, track, and grow their retirement savings.

GAO’s recommendation to PBGC was that the PBGC Director assess, and report to Congress on, the feasibility of amending current law to allow the PBGC’s Missing Participants Program (MPP) to act as a central consolidator of small inactive accounts for ongoing 401(k) plans. As described in the GAO Report, a “default central consolidator for small inactive plans” would facilitate transfer of a participant’s savings in inactive workplace retirement accounts to a government agency that guarantees the savings will not be reduced by fees until it is claimed or automatically consolidated with other savings of the account holder.² Inactive accounts meeting certain criteria would be eligible for transfer.

Under current law, the MPP can only accept transfers from *terminated* plans. PBGC agreed to assess and report to Congress on the feasibility of expanding the MPP to include certain transfers from *ongoing* plans, specifically the transfer of small inactive account balances (\$7,000 or less) for missing participants.³

¹ GAO-24-103577, 401(K) Plans: Additional Federal Actions Would Help Participants Track and Consolidate Their Retirement Savings, GAO Highlights (January 2024), at <https://www.gao.gov/assets/d24103577.pdf>

² GAO Report, p. 22. The GAO Report described and compared such central consolidators in six countries. The report described certain criteria that might define the types of accounts to be covered including that they be derived from former employment, satisfy a period of inactivity, be less than a certain dollar value, etc.

³ GAO Report pp 195-196.

The Current Missing Participants Program

Enactment and Growth of the Missing Participants Program

Original Enactment of Program in 1994

PBGC's MPP seeks to connect participants enrolled in terminated pension plans to their retirement benefits.⁴ It was established under the Retirement Protection Act of 1994 (RPA).⁵ In its original form, the MPP only covered participants in terminating PBGC-insured single-employer defined benefit plans which had enough assets to purchase annuities for all benefits in a standard plan termination. PBGC reported in its 1995 annual report that “[t]he need for such a federal program emerged from discussions with employers, who have long experienced difficulty in making arrangements with insurance companies and banks to ensure that missing participants receive the benefits owed them.”⁶

As PBGC explained in a 1995 Technical Update,⁷ the RPA amended ERISA's standard termination requirements to address the treatment of participants who cannot be located after a diligent search. The RPA requires plan administrators to transfer assets to PBGC for each missing participant whose benefit is not provided by the purchase of an annuity. In cases where an annuity is purchased, the plan administrator must furnish PBGC with identifying information about the annuity provider and the participant.

The RPA further provided that a plan will not lose its tax-qualified status solely for complying with these requirements for missing participants. Upon termination, benefits for missing participants must be treated in accordance with new ERISA section 4050 for distributions in plan years beginning after PBGC issues final regulations. PBGC issued final regulations implementing RPA provisions in 1995.⁸

ERISA requires that before terminating a fully funded plan, employers must ensure sufficient assets to pay the pension benefits, and distribute them, typically in the form of an annuity purchased from an insurance company or in a lump sum

⁴ Under the current MPP, an individual is considered missing if the plan does not know the individual's location (i.e., is “unlocatable”) or the individual fails to provide required distribution instructions for a mandatory cash-out or to accept a lump-sum payment for a mandatory cash out (i.e., is “unresponsive”). See Form MP-100 Missing Participants Program Filing Instructions (Aug. 18, 2025), <https://www.pbgc.gov/sites/default/files/form-mp100-instructions.pdf>.

⁵ See section 776 of the Uruguay Round Agreements Act, Public Law No. 103-465, 108 Stat. 4809; <https://www.govinfo.gov/content/pkg/STATUTE-108/pdf/STATUTE-108-Pg4809.pdf>.

⁶ PBGC Annual Performance Report. p. 15 (1995) [PBGC 1995 Annual Performance Report, p 15](#).

⁷ See [PBGC Technical Update 95-1 \(January 27, 1995\)](#) Section VIII B.

⁸ 60 Fed. Reg. 61740 (1995).

payment. Distributions cannot be completed if former employees or beneficiaries cannot be located and may not know they are owed a benefit.

As PBGC noted in 1995, while plan administrators conducted a one-time search, PBGC would continue searching for individuals periodically and pay when they are found.⁹ PBGC estimated in 1995 that about 1,000 people were missing each year from 4,000 terminating fully funded plans.

At the time, the MPP received positive reviews and press coverage.¹⁰

Expansion of Program to Defined Contribution Plans

In 2006, Congress authorized a statutory expansion of the program under the Pension Protection Act of 2006, allowing the MPP to also cover participants in terminated 401(k) plans, as well as certain other terminated defined benefit (DB) and defined contribution (DC) plans. PBGC worked for over a decade to design and implement an expanded program, which began to apply to the additional categories of plans for terminations occurring on or after January 1, 2018.¹¹

The MPP for defined contribution plans covers many common types of DC plans including Internal Revenue Code (Code) section 401(k) plans, profit sharing plans, money purchase plans, target benefit plans, employee stock ownership plans, stock bonus plans, and Code section 403(b)(7) plans subject to Title I of ERISA. But not all defined contribution plans are covered. Some examples of plans not covered are governmental plans, church plans, and plans that cannot pay benefits to PBGC in cash.¹²

Under the final MPP regulations, there are two ways for terminated DC plans to use the MPP. Plans may either (1) transfer funds to PBGC to cover the cost of providing a missing participant's benefit, in which case PBGC provides the benefit once the participant is found ("*transferring*" plans); or (2) send PBGC information about the entity that is responsible for providing the benefit when the participant is found ("*notifying*" plans). For a participant

⁹ PBGC, News Release, *PBGC Establishes Clearinghouse To Locate Workers Due Pensions*, 1995 WL 728411 (Nov. 30, 1995).

¹⁰ In 2000, the Wall Street Journal provided this description of the search directory that PBGC had developed "Recently, the user-friendly site began listing workers' last known addresses, further improving the odds for a successful pension search. All told, more than 3,000 beneficiaries have stepped forward to claim more than \$9.3 million in lost retirement benefits.

Once covered participants -- either employees themselves or other beneficiaries such as widowed and divorced spouses -- spot the employee's name, they can use an e-mail link to request an application for benefits. They then provide additional details to verify eligibility, a process that takes up to six weeks."

See "Pension Treasure," Wall Street Journal, June 5, 2000.

¹¹ PBGC issued proposed (81 Fed. Reg. 64700 (Sept. 20, 2016)) and final regulations (82 Fed. Reg. 60800 (Dec. 22, 2017)) which became effective January 1, 2018.

¹² Precise rules on coverage by the MPP are set forth in 29 CFR § 4050.201.

originally from a “*transferring*” plan, PBGC can directly reunite a participant with the funds in their account, but for a participant originally from a “*notifying*” plan, PBGC can only give information to the participant regarding where the account is held.

Currently, PBGC charges “*transferring*” plans a one-time \$35 fee per missing distributee. This fee is payable when benefit transfer amounts are paid to PBGC. However, there is no charge for a small benefit transferred to PBGC (accounts with balances of \$250 or less). There are no annual or transaction-based fees – e.g., no ongoing maintenance or search fees – and no distribution charges. There is no charge for “*notifying*” plans that only send PBGC information about where benefits are held, but do not send account balances.

PBGC accepts the retirement benefits and record information of missing participants and beneficiaries (collectively, “missing distributees”) from terminating retirement plans. Upon receipt of the benefits, it actively searches for missing distributees. In addition, PBGC maintains an online search directory where missing distributees can look for their lost retirement benefits. If an individual’s name and Social Security number match information in PBGC’s database, the individual must contact PBGC to continue their search. Additionally, PBGC conducts annual searches for missing participants once they reach retirement age.

The benefits held by PBGC earn interest at the applicable federal mid-term rate and are protected against investment losses. When missing distributees are located and agree to apply for their benefits, PBGC pays their benefits in annuity or lump sum form.¹³

A “*transferring*” plan must transfer to PBGC the account balances for all the plan’s missing distributees. This is sometimes referred to as the “all or nothing” rule. The “all or nothing” rule does not apply to plans that only send information about the location of the benefit (i.e., “*notifying*” plans).

Participation in the MPP by terminated 401(k) or other terminated defined contribution plans is voluntary.

Brief Statistics for the Missing Participants Program

The MPP is relatively small compared to the number of participants in ongoing pension plans. Since its inception through the end of 2025, the MPP has assumed responsibility for the benefits of approximately 100,000 individuals in terminated single-employer defined benefit and defined contribution plans. By comparison, PBGC’s single-employer guarantee

¹³ For participants that are eligible to do so (i.e., not beyond their required beginning date) the participant has the option to specify that the lump sum be paid as a rollover, to an IRA or to an eligible account at a current employer.

program has become responsible for the payment of 2.5 million participants and beneficiaries over its more than 50-year history.¹⁴ As of 2025, PBGC was making payments to 926,000 individuals and an additional 428,000 individuals were owed a benefit but had not yet commenced retirement.¹⁵ The total number of participants in U.S. pension plans was approximately 156 million in 2023, with over 29 million participants in defined benefit pension plans and over 126 million in defined contribution plans.¹⁶

Over its history, the MPP has paid a total of approximately 23,000 individuals, or 23 percent. Another 60,000 individuals have been located but remain unpaid as of December 31, 2025.

PBGC is often successful in *locating* participants, but many of those participants are unresponsive. PBGC achieves the greatest success in engaging beneficiaries to come forward immediately following assumption of assets from the prior plan sponsor. At the point of transition, many beneficiaries are aware of an outreach campaign from their plan sponsor but miss the cutoff date. After the first 12 months, engagement significantly declines until beneficiaries reach retirement age, even though they do not need to attain retirement age to roll over benefits. Of the current inventory of unclaimed MPP benefits, 70% are held by individuals under age 65.

Brief Statistics for the Missing Participants Defined Contribution Program

As noted above, the MPP is voluntary for DC plans (at the option of a sponsor who is terminating a plan) and covers only terminated plans. The voluntary nature of participation and the shorter operating history of the defined contribution portion of the MPP result in the large majority of MPP accounts being related to defined benefit plans, with only a small percentage related to defined contribution plans.

From 2018, when the program was expanded to include terminated DC plans, through December 31, 2025, PBGC has taken responsibility for the accounts of 15,384 participants and beneficiaries in DC plans. Currently, this represents only 15 percent of the overall total (defined benefit *and* defined contribution) MPP accounts.

¹⁴ [PBGC 2023 Data Tables, Table S-9.](#)

¹⁵ <https://www.pbgc.gov/about/reports/annual/pbgc-annual-performance-financial-report-2025>

¹⁶ <https://www.dol.gov/sites/dolgov/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2022.pdf><https://www.dol.gov/sites/dolgov/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2023.pdf> Table A1 in "Private Pension Plan Bulletin: Abstract of 2023 Form 5500 Annual Reports," Employee Benefits Security Administration, United States Department of Labor, September 2025. Note, certain individuals may be counted in more than one pension plan.

As of December 31, 2025, PBGC had paid 3,866 individuals their defined contribution balances. Another 10,489 people with defined contribution benefits had been located but these individuals had not yet applied for benefits and thus had not been paid. Only about 9 percent of defined contribution beneficiaries had not been located.

The table below summarizes average transactions for terminated DC Plans in the MPP through December 31, 2025.

Figure 1- Defined Contribution MPP Experience, 2018 to December 31, 2025

Transfer Amount	Number of DC Accounts Transferred				Percent Located and Paid	Median Account Balance	Average Account Balance
	Not Yet Paid		Paid	Total			
	Located	Not Located					
Under \$1K	3,423	412	435	4,270	10.2%	\$189	\$279
\$1K - \$7K	3,100	340	874	4,314	20.3%	\$2,875	\$3,304
Subtotal (Under \$7K)	6,523	752	1,309	8,584	15.2%	\$1,015	\$1,799
Over \$7K	3,966	277	2,557	6,800	37.6%	\$20,458	\$40,031
Total	10,489	1,029	3,866	15,384	25.1%	\$5,063	\$18,698

Recent Developments

Automatic Portability

Automatic portability is the concept that when a worker moves from employment with Employer A to employment with Employer B, any pension plan related credits should *automatically* follow the worker. For defined contribution plans this means the account balance moves from the defined contribution retirement arrangements of Employer A to those of Employer B. Sometimes, such as when Employer A and Employer B both participate in the same multiple employer defined contribution plan, such transfer happens under current law. But, more typically, portability requires intervention by the participant to roll over their balances from one plan to the next, and not all employers participate in plans that even allow such rollovers.

Section 120 of SECURE 2.0 enacted a rule to facilitate automatic portability for participants with small account balances. Section 120 provides a statutory exemption under Code section 4975 (which applies an excise tax on prohibited transactions) for specified fees and compensation, subject to the conditions in Code section 4975(f)(12), for service providers who facilitate automatic portability transactions that are designed to consolidate small retirement accounts when participants change jobs.¹⁷

Absent this exemption, providers engaging in such transactions and receiving fees and compensation could be subject to prohibited transaction penalties under ERISA and the Code. In January 2024, the Department of Labor issued proposed regulations implementing Section 120.¹⁸ These proposed regulations would aim to reduce the incidence of small, inactive, or lost retirement accounts and improve retirement savings preservation.

Automatic portability is a form of automatic consolidation of account balances which could be a component of the services provided by a default central consolidator for small inactive accounts (see Potential Scope and Functions of a Central Consolidator of Small Inactive Accounts below). The potential impact of elective private sector adoption of automatic portability interacts with potential demand for an expanded MPP. As part of the preparation for this report, PBGC staff interviewed private sector entities operating in this space including the largest auto-portability provider.

¹⁷ This exemption, codified in Code section 4975(d)(25), applies when the conditions of Code section 4975(f)(12) are satisfied.

¹⁸ Automatic Portability Transaction Regulations, 89 FR 5624 (January 29, 2024).

DOL Retirement Lost and Found Database

The Department of Labor’s Employee Benefits Security Administration (EBSA) operates the Retirement Savings Lost and Found (Lost and Found). This is an internet search enabled database required by SECURE 2.0,¹⁹ which EBSA brought online in December 2024. This tool helps participants obtain contact information for administrators of retirement plans that may owe them benefits. It covers defined benefit and defined contribution pension plans sponsored by private-sector employers and unions, including 401(k) plans. It does not cover Social Security benefits or plans sponsored by governmental or certain religious employers.²⁰

Users can search the database only after signing in with a Login.gov account that has completed the required identity verification process. This process confirms the user’s identity using trusted information, such as a government-issued ID, and checks that information against reliable sources. After the user’s identity is verified, the system searches the database for unpaid retirement benefits reported to EBSA that may be connected to that user.

At the Lost and Found’s launch in 2024, EBSA requested plan administrators to voluntarily submit information on separated vested participants aged 65 or older who are owed benefits.²¹ EBSA subsequently obtained data reported on Form 8955-SSA from SSA, which identifies participants who left employment with deferred vested benefits. A limitation of these forms is that they do not indicate whether deferred benefits have been paid out, rolled over into another retirement account, or paid as an annuity. DOL plans to expand the database to fully implement ERISA section 523.

DOL has stated that plan fiduciaries who follow the submission instructions to Lost and Found will fulfill their fiduciary duty to mitigate cybersecurity risks and protect participants’ benefits with respect to that submission.²² Plan fiduciaries are also shielded from liability

¹⁹ Section 303 of the SECURE 2.0 Act of 2022 (ERISA Section 523).

²⁰ FAQ at <https://lostandfound.dol.gov/>.

²¹ See Retirement Savings Lost and Found, 89 Fed. Reg. 91787 (Nov. 20, 2024).

²² See 89 FR 91787, 91793. “The Department has taken great care to ensure the security and confidentiality of participant data and reassures plan fiduciaries that if they voluntarily furnish data in response to this information collection request and follow the instructions for transmitting the data to the Department, they will have satisfied their duty under section 404 of ERISA to ensure proper mitigation of cybersecurity risks. Accordingly, plan fiduciaries’ submission of data to the Retirement Savings Lost and Found in accordance with the system’s instructions on submissions will not violate fiduciaries’ duties of prudence and loyalty, but rather would promote participant interests in securing promised benefits in accordance with those obligations. Such plan fiduciaries will not be subject to liability under ERISA for the Department’s conduct in the event of a future security failure involving Retirement Savings Lost and Found.”

under ERISA for security breaches involving the Lost and Found database. In addition, reasonable reporting costs are considered a permissible use of plan assets.

The most salient differences between DOL’s Lost and Found and the MPP are described in the table below.

Figure 2 - Comparison of Lost and Found Database with MPP

	DOL Lost & Found	PBGC MPP
Coverage	Retirement plans subject to ERISA’s vesting standards	Terminated DB (mandatory) and certain terminated DC plans (voluntary)
Benefit Payment	Individuals may locate plan administrators and would then need to separately apply to the plan administrator to claim benefits. DOL does not itself pay benefits.	For DB plans and “ <i>transferring</i> ” DC plans, participants find their benefit at PBGC and can apply to receive it. For “ <i>notifying</i> ” DC plans, individuals may locate where the account was transferred and would need to separately apply to that entity.
Identity Verification	Before search	After search but before benefit verification
Participant Information Available to Agency	Information voluntarily provided by participating plans, and Forms 8955-SSA from Treasury	Information required from terminated defined benefit plans and voluntarily provided by terminated DC plans

The States’ Unclaimed Retirement Clearing House

The National Association of Unclaimed Property Administrators (NAUPA), an affiliate of the National Association of State Treasurers (NAST), has advocated for a voluntary mechanism through which retirement plans may transfer custody of uncashed distribution checks to state unclaimed property programs.

NAUPA, in conjunction with NAST, has established the States’ Unclaimed Retirement Clearing House (SURCH),²³ a state-sponsored administrative clearinghouse that allows retirement plans and recordkeepers to report and transfer uncashed distribution checks owed to participants to participating state unclaimed property programs. SURCH is designed to streamline reporting by enabling plans to submit information to multiple

²³ States’ Unclaimed Retirement Clearing House (SURCH) at <https://statesurch.org/>

participating states simultaneously and to remit associated funds through a single consolidated payment, at no cost to the plans.

In addition, NAST and NAUPA have established and operate MissingMoney.com, a free website that enables individuals to search for and electronically file or initiate claims for unclaimed property in most states. Individual states also maintain separate outreach efforts to locate owners of unclaimed property.

In January 2025, DOL published a Field Assistance Bulletin indicating that it would not pursue enforcement action under ERISA section 404(a) against fiduciaries who transfer payments owed to missing participants with accrued benefits of \$1,000 or less, from ongoing defined contribution or defined benefit plans, to state unclaimed property funds, if certain conditions are met. These conditions include, among others, that eligible state funds participate in SURCH and in MissingMoney.com (or a comparable NAST-sponsored search database).²⁴

In September 2025, a bill was introduced in Congress that would direct DOL to promulgate a regulation permitting pension plan administrators and fiduciaries to transfer unclaimed retirement distributions between \$50 and \$5,000 to state unclaimed property programs through SURCH.²⁵

Private Sector Initiatives

Over the past 20 years, private sector entities have developed services intended to reduce account fragmentation and facilitate account consolidation as ways to address the issue of retirement plan “leakage” from small, inactive participant accounts. Although “leakage” broadly refers to any reduction in retirement savings caused by actions that undermine compound growth before retirement (such as excessive loans or early cash outs), small, inactive accounts present a distinct challenge. These accounts are often subjected to disproportionate administrative fees, follow ineffective investment strategies, and risk being forgotten by participants focused on their current plans.

In conducting research for this report, staff met with or reviewed materials from several private sector entities working in this area. Through these discussions, PBGC gathered information on several topics, including:

- The volume of existing small inactive accounts and approaches to forecasting future volume
- Typical services provided to account holders

²⁴ See Field Assistance Bulletin No. 2025-01, U.S. Department of Labor, January 14, 2025.

²⁵ See Unclaimed Retirement Rescue Plan, H.R. 5325, 119th Cong. (2025).

- Data quality and security challenges
- Best practices for distributing benefits to plan participants
- Costs associated with these services, both for initial implementation and ongoing operations, as well as fees charged to individual account holders.

Among the private sector entities consulted, one (“Private Entity A”) offers an auto-portability solution designed to automatically reconnect participants with their former retirement accounts as they move between employers whose defined contribution plans are serviced by a member of a network of defined contribution recordkeepers. This solution relies on electronic matching technology to identify retirement accounts associated with the same participant across different recordkeepers. Once identified and verified, these accounts are consolidated into the participant’s current active account held with their new employer’s recordkeeper. The locate-and-match service can be performed directly by individual recordkeepers or outsourced to third party providers.

Entity A’s solution includes four basic elements:

- (1) Information Capture: Data from required Section 402(f) notices, sent to participants subject to mandatory distributions, forms the basis for potential account matching across all recordkeepers participating in the auto-portability services network.
- (2) Locate-and-Match Process: Recordkeepers use technology to identify potential matches, which are then subject to additional validation.
- (3) Participant Consent: Once validated, participants are contacted and given the opportunity to consent to the transfer through written authorization, a secure website, or a sponsor’s call center. Where permitted, negative consent rules under DOL regulations or guidance, are relied upon.
- (4) Transfer and Investments: Inactive accounts are closed; balances are transferred to the new employer’s plan; and balances are immediately invested according to the participant’s active account investment elections or default investment options. The participant is then notified of the transaction.

Reconnecting participants with inactive accounts created at prior employers can be a powerful and positive response to the leakage problem. Consolidation reduces unnecessary administrative fees associated with holding multiple accounts. In addition, Safe Harbor IRAs (where forced transfer account balances would otherwise potentially be held), are primarily invested in very safe, yet relatively low-returning money market funds and can be diminished by recurring maintenance fees. Thus, reuniting these low value accounts with a participant’s current active account can help maximize investment returns over their working career. Also, consolidating small inactive accounts helps to eliminate potential cash outs for purposes other than retirement security. Finally, it avoids the

participant losing track of the account, since the longer an account remains isolated and inactive, the more likely it will be forgotten and never accomplish its original purpose of providing income in retirement.

Another private sector entity consulted for this report (“Private Entity B”) is an online Safe Harbor IRA provider that operates within the financial technology sector. Although Entity B offers Safe Harbor IRA services for employers seeking a forced-transfer provider, Entity B’s primary business model is directed toward individuals – particularly those with relatively small account balances—seeking to consolidate retirement accounts (e.g., 401(k)s and IRAs) accumulated across multiple former employers.

The business model relies on technology to deliver services that are standardized, low cost, and accessible. Key features include:

1. **Investment Options:** Investment advice is not provided. Simplified investment menus (such as target-date funds) are offered through a third-party provider.
2. **Fee Structure:** Fees are charged on a uniform basis-point percentage across all investment options. Flat dollar fees are not used, to mitigate disproportionate impact on small balances.
3. **Support Services:** Personalized, one-on-one assistance is provided to participants for locating, transferring, and consolidating prior accounts, as well as for processing transactions (e.g., contributions, withdrawals).
4. **Technology Integration:** Technology and third-party partnerships are used to facilitate account transfers and consolidation and to support user interactions, including mobile applications.

Potential Scope and Functions of a Central Consolidator of Small Inactive Accounts Will Require Definition

A central consolidator of small inactive accounts could potentially be structured in a variety of ways. The GAO Report included the following description for their use of the term:

A participant’s savings in inactive workplace retirement accounts (from former employers) meeting certain criteria (e.g., inactive period, account value, etc.) are transferred to a government agency that guarantees the savings will not be reduced by fees until it is claimed by or distributed to the account holder or automatically consolidated with an eligible active account belonging to the account holder.²⁶

²⁶ GAO Report, p.22

It is useful to note that the GAO Report also contains a discussion of a specific Australian approach, under which:

. . . [P]lan providers are required to transfer savings from small inactive accounts to the ATO [Australian Taxation Office] twice a year, where the savings are held until either: (1) the participant claims their account by requesting the savings be transferred to another eligible account, (2) the ATO automatically consolidates the account savings into an eligible active account identified for the participant, or (3) the participant is eligible for and receives a distribution of their savings.

According to the ATO officials, account savings transferred to the ATO are not assessed transfer or maintenance fees. These account savings also earn interest based on a consumer price index that is paid when the savings are transferred back to the participant or to another plan held by the participant. Australia requires plan providers to promptly report plan data and other activities, such as when accounts are opened or closed, to the ATO electronically through a common data infrastructure. ATO uses this information to determine if a participant for whom it holds savings has an eligible active account to which it can proactively consolidate those savings. In this way, participants are reunited with their small inactive account savings through automatic consolidation with their current active account savings where it has a better opportunity to grow.²⁷

The GAO Report also notes a prior, now closed, Australian program (“Eligible Rollover Funds”) which covered inactive accounts for “lost” participants and was not able to automatically consolidate savings into a participant’s new active account. Noting that,

. . . experts told us that because Eligible Rollover Funds lacked requirements and incentives to reconnect participants with their savings, only a fraction of accounts were reunited. Thus, Australia closed Eligible Rollover Funds in 2022, and required the remaining funds to be transferred to ATO for reunification under the current policy, according to experts.²⁸

Specific unique aspects of the US retirement system may also need to be addressed, including the ability of plan sponsors to conditionally forfeit the account of a missing participant, restoring the benefit only when the missing participant is found.²⁹

²⁷ GAO Report p. 36

²⁸ GAO Report, p. 24

²⁹ With respect to terminated plans, the preamble to the PBGC’s final missing participant regulation states that: “PBGC believes that such a claim to benefits isn’t lost on plan termination, and so the final missing participants regulation treats these individuals the same as any other missing participant.” 82 FR 60800, 60805. Accordingly, with the exception of an abandoned plan, this temporary enforcement policy will not apply to a terminating individual account plan containing a Treasury Regulation 26 CFR 1.411(a)-4(b)(6) conditional forfeiture provision, unless the conditionally forfeited accounts of all missing participants and beneficiaries are fully restored and transferred to the PBGC”.

Potential Transfer Volume

This section illustrates the uncertainty in the volume of transfers of small inactive defined contribution accounts that could flow to a default central consolidator.

Under current law small inactive accounts fall into two categories: (a) accounts that are generated as participants leave employment, and (b) accounts for participants who are already inactive.

When a participant leaves employment, plan sponsors can design their plans to transfer account balances of up to \$7,000 out of a plan to an IRA or to participants, a process referred to in the GAO Report as a forced transfer. Account balances up to \$1,000 may be distributed directly to participants. However, absent specific instructions from the participant, account balances above \$1,000 (and under \$7,000) may only be automatically distributed via a rollover to an IRA. A safe harbor IRA (Safe Harbor IRA) is a common name given to the specialized IRA established by such an automatic rollover (ARO).³⁰

Not all eligible or covered employees have an account with a positive (*i.e.*, non-zero) vested balance at separation. Also, some plans are not set up to perform AROs but instead retain certain accounts that are less than \$7,000.

Furthermore, only certain accounts with balances below \$7,000 can be classified as “small inactive” accounts and, therefore, potentially eligible for transfer to a central consolidator. To be classified as “inactive” presumably the accounts must belong to *former* employees of the plan sponsor, or to those that are leaving employment who do not respond to information regarding the disposition of their account balances.³¹ Plan sponsors typically notify participants about their options at employment termination and before an eligible rollover distribution in accordance with applicable timing rules by issuing a “section 402(f) notice”. Some participants do not respond to those notices.³²

³⁰ The term “safe harbor IRA” used throughout this report refers solely to an IRA established pursuant to Code section 401(a)(31)(B). The term is also commonly used to refer to an IRA established in compliance with the DOL’s fiduciary safe harbor (29 CFR 2550.404a-2), under which a plan fiduciary is deemed to satisfy its ERISA fiduciary duties in connection with an automatic rollover of a mandatory distribution described in section 401(a)(31)(B) and certain other mandatory distributions not described in that section. Although that fiduciary safe harbor may apply in some circumstances, it is not part of the definition of “safe harbor IRA” used here.

³¹ There is no single universal definition for an “inactive account” under the Code, ERISA, or regulations thereunder for 401(k) plans. Choosing a precise definition would likely enhance the discussion on this issue, but in the meantime this report uses what we believe to be the most common construction of the term.

³² EBSA has issued guidance on fiduciary responsibilities to search for missing participants. See, for instance, [Best Practices for Pension Plans](#).

Thus, estimating potential transfer volume will require the setting of many different assumptions, the basis for which is often only available from different independent studies. Differences in the underlying data sources used in such studies as well as the unavailability of behavioral statistics needed but that would only emerge *after* such a program were in place, make any specific “point” estimates impossible.

Despite its complexity, such an estimate is critical in assessing the feasibility of such a program. We have therefore prepared estimates of the “range” of potential transfers by applying reasonable lower/upper bounds to each individual assumption. To obtain the final estimated range of potential transfers, we use as our starting point the 81.6 million active employees covered by a 401(k) plan at their current employer as published by DOL and an estimated 26 million vested inactive accounts belonging to separated employees who no longer work for the plan sponsor.³³ The key assumptions incorporated, as well as the specific ranges applied to this figure, are described below.

Figure 3 - Key Assumptions in Estimating Potential Transfer Volume

Assumption	Lower/Upper Bounds
Percentage of covered employees with non-zero account balances	80% - 86%
Percentage of account balances under \$7,000	30% - 40%
Annual rate of job turnover	15% - 20%
Percentage of participants sent a section 402(f) notice who made an affirmative election to roll over or cash out	
- Participants with account balances up to \$1,000	89% - 98%
- Participants with account balances over \$1,000	83% - 91%

In addition to the above, the percentage of sponsors that would elect the use of a central consolidator is necessary to estimate potential volume. Although critical to the estimates, this “behavioral” assumption is also one which is unavailable since this specific behavior would only be observed *after* the implementation of such a program. For this purpose, we have applied two separate sets of lower/upper bounds: one for sponsors who already employ an ARO provision and one for those who do not. Applying a 0% lower bound in both cases, although technically possible, would seem unlikely and at the same time, be uninformative to the reader. Therefore, for this purpose, we have applied lower bounds of

³³ Tables A1 and A2 in “[Private Pension Plan Bulletin: Abstract of 2023 Form 5500 Annual Reports](#),” Employee Benefits Security Administration, United States Department of Labor, September 2025.

20% for those already employing ARO provisions and 10% for those who are not. In addition, for both sets of sponsors, we have conservatively applied a 100% upper bound. Results based on alternative assumptions would be roughly proportional.

Based on the above assumptions and applying them to the overall population of 401(k)-type account holders, the estimated volume of transfers to a central consolidator could range from as low as 60,000 up to 1.8 million accounts, per annum.³⁴

Operational Components and Resources Required

In total, the current MPP processes approximately 375 plan filings per year with about 8,000 new missing participants, primarily from defined benefit plans. Given the small size of the program, the operational components are not fully automated. Even if no additional functions were to be added to those currently administered by PBGC's defined contribution MPP, the annual number of account balances eligible for transfer to a central consolidator of inactive accounts would be a multiple of the current volume. It would not be feasible to expand the partially manual processes under the existing MPP to accommodate the volumes of transfers likely for a central consolidator of accounts. Instead, a substantially revised and automated program would be required.

As noted earlier in this report, PBGC's experience with the MPP shows success in *locating* participants is only a portion of the tasks that would be associated with any expansion to a central consolidator role. Any future program design should account for low account holder engagement when developing program performance objectives and success metrics. Overcoming widespread awareness gaps may warrant a mass media communications campaign to increase awareness of the federal government's role in providing this service. Currently, PBGC has no experience conducting campaigns of this

³⁴ Lower and upper bounds for estimated volume were calculated using the most conservative and the most expansive sets of assumptions given in Figure 3. The lower bound of 60,000 account transfers uses an estimate of 65 million actively employed individuals with non-zero 401(k) balances multiplied by an assumed 30 percent share of accounts with less than \$7,000 in assets, an assumed 15 percent annual termination rate, and a percentage representing the portion of the population who do not affirmatively elect a rollover or cashout (*i.e.*, using $1 - \text{the applicable rates in Figure 3}$). Twenty percent of sponsors with existing automatic rollover provisions and 10 percent of sponsors without automatic rollover provisions were assumed to utilize the central consolidator due to sponsorship by a federal agency. Ultimately, the above yields slightly more than 30,000 accounts per year. Applying a similar methodology to the existing population of over 26 million small inactive 401(k) accounts belonging to former employees results in an estimate of slightly more than 27,000 such accounts transferred to the central consolidator. Summing these two account figures yields the lower bound of approximately 60,000 accounts.

To obtain the upper bound of 1.8 million transferred small inactive accounts, we used the same methodology but using the upper range estimates given in Figure 3 and assuming a 100 percent (mandatory) participation rate in the federal central consolidator by all private sector 401(k) plans regardless of whether they have existing automatic rollover provisions.

type. Any central consolidator would need to carefully evaluate the relative effectiveness and cost of targeted outreach, plan-transition communications, digital outreach, and broader public communications.

Potential Changes Needed to MPP Program Parameters to Allow Expansion

The current MPP was designed to fit within the single-employer defined benefit insurance program (Single-employer Insurance Program) on a roughly cost-neutral basis. The program charges fees to offset the cost of transferring accounts and account balances are invested in PBGC's Trust Fund Short Term Investment Fund (STIF)³⁵ in a manner which roughly offsets the interest credits to participant accounts. If the program were to be expanded to accept accounts from ongoing plans, additional investments in PBGC infrastructure would be required. A range of potential changes to the program and its financing could be explored. These include:

- Separating the accounting of the MPP from the Single-employer Insurance Program and receiving direct appropriations from taxpayers or other sources to fund the program
- Continuing to include the MPP as a component of the Single-employer Insurance Program financed using a portion of the existing surplus in that program.
- Increasing the fees charged upon transfer, either from ongoing plans or from all transferring plans
- Decreasing the interest rate credited to participant accounts or changing the financing of the investments that fund the account obligations in order to generate funding from a "spread" between the interest rate credited and the investment return PBGC earns
- Considering the treatment of funds that remain unclaimed for an extended period after the participant's death.

The above list is not exhaustive and each of these changes to the program has different policy implications. However, some parameter changes would be needed if PBGC were to expand its program to allow ongoing plans to transfer in missing participants.

³⁵ Participant account balances are credited with interest at the applicable federal mid-term rate. Over the most recent 5-year period, STIF account returns have generated a cumulative return of less than 25 basis points more than the amounts credited to accounts.

Risks

Expanding the PBGC MPP to a central consolidator role would place that role in an agency with deep expertise in defined benefit plans, but only limited experience in defined contribution plans. While many issues for retirement plans are in common across defined benefit and defined contribution plans, of the three ERISA agencies, PBGC currently has the least interaction with defined contribution plans. Currently PBGC's role in defined contribution plans is primarily limited to its small defined contribution MPP.³⁶ Taking on the role of central consolidator would require PBGC to develop broader knowledge and expertise in the defined contribution arena.

Legislative and Regulatory Changes Needed

Any proposal to expand the MPP would require a legislative amendment to ERISA § 4050 so that it can receive the benefits of participants in ongoing plans—the current law only covers participants in terminating plans. PBGC's regulations under ERISA § 4050 would also need to be updated to reflect changes to the statute. In addition, statutory and regulatory coordination among PBGC, Treasury/IRS, and DOL/EBSA would be necessary, as those agencies may wish to determine whether corresponding changes should be made to the Code and ERISA (and related regulations) where mandatory distributions and fiduciary obligations are discussed.

To the extent the role of the central consolidator extends to the consolidation of accounts for former employees with the accounts established for employees at their new jobs, legislation would need to establish whether the program is voluntary or mandatory for employers and provide for reporting of necessary information by plans and recordkeepers. Such legislation would also need to consider privacy concerns as well as whether participants or plans would bear any additional costs.

In any legislation to establish a central consolidator of inactive defined contribution accounts, Congress may wish to clarify and streamline any unresolved issues regarding tax treatment of uncashed distribution amounts.

³⁶ While PBGC potentially has some limited authority to help participants understand the consequences of transferring retirement accumulations to IRA's or other individual retirement savings accounts under ERISA §4009, it has never issued formal guidance under that section.

Conclusion

Current DC MPP processes serve only terminating plans and are structured to accept several thousand account balance transfers per year. The program is successful in locating the majority of participants. But the program does not offer all the features of a defined contribution recordkeeping and administration system, such as easy participant reporting of account balances, much less investment direction. Expanding the program to serve as a central consolidator would clearly generate many, many more transactions each year. Accommodating that increase in transactions would require a complete rebuild of the program. Thus, simply expanding the current DC MPP to act as a central consolidator of DC accounts is infeasible. Instead, a new program would need to be designed to operate entirely through automatic processes and incorporate additional fees or revenue sources.

A core question is whether another federal agency, or state and local or private sector solutions are best placed to undertake a mission of this scope.

PBGC has deep expertise in defined benefit retirement plans and in terminated plans. Its existing MPP program cannot be readily expanded into a new role without significant additional resources, and it is unclear whether PBGC is better situated to build a new system than other agencies or the expanding capabilities within the private sector and local governments.