

FASCore Documentation

FUNCTIONAL PROCESS: Forfeiture/Unallocated Plan Asset Accounts

PROCEDURE: Met Plan Forfeiture/Unallocated Plan Asset Accounts - General Guideline

DATE: June 2012

I. Overview

Each plan has a Forfeiture/Unallocated Plan Asset Accounts that is comprised of four possible subaccounts. Each subaccount is independent of each other. Not every plan will utilize all available subaccounts. The following is a listing of the various subaccounts under the Forfeiture/ Unallocated Plan Asset Accounts, the standard money source code and a brief description:

Subaccounts	Standard Money Source Code	Description
Forfeitures	ERB"X" "X" = specific standard money source code	Non-vested portion of a participant's account when a participant terminates employment before becoming 100% vested.
Asset Holding	HLD	Plans that convert assets from a prior recordkeeper use Plan's Default Fund as designated in the Implementation Worksheet. This designated fund will hold unallocated conversion assets until records in good order are received and assets can be allocated to participant level accounts according to their allocations.
Unclaimed Property	UCP	Assets attributable to a participant or beneficiary that cannot be located to receive a distribution from the Plan. May also include unallocated assets from stale dated and/or uncashed checks.
Unallocated Plan Assets	UPA	Account used to hold mutual fund reimbursements until the funds are applied to either participant accounts or to offset plan expenses to either MetLife or a third party as directed by the Employer under the MLR Services Agreement. Also includes mutual fund restitution and market value adjustments as employer directs.

II. Procedures

1) Forfeiture Account (ERB“X”)

- a. Plan document dictates when forfeitures occur, when they can be used and what they can be used for.
- b. Plan may elect to use custom naming convention for this money source.
- c. Can have separate forfeiture accounts per specific employer contribution.
- d. Plan document can provide that forfeitures be used in plan year forfeiture occurred or in following plan year. If not stated in plan document, must be used in plan year in which the forfeiture occurs.
- e. In general, the employer has the responsibility to determine the amount of a participant's forfeiture based on the application of the vesting provisions of the Plan.
- f. Forfeitures can be reallocated as additional contributions if the plan document provides for such a provision. If elected, the forfeitures will be added to other contributions made by the Employer for the plan year as designated in the adoption agreement, and such amounts will be allocated to eligible participants.
- g. Forfeitures can be used to reduce future employer contributions if plan document provides for such a provision. If elected, the Employer may adjust its contribution deposits in any manner, provided the total employer contributions made for the Plan year properly take into account the forfeitures that are to be used to reduce such contributions for that plan year. If the contributions are allocated over multiple allocation periods, the employer may reduce its contribution for any allocation periods within the plan year in which the forfeitures are to be allocated so that the total amount allocated for the plan year is proper.
- h. Forfeitures can be used to pay plan expenses if the plan provides for such a provision. If elected, forfeitures will first be used to pay Plan expenses for the plan year in which the forfeitures would otherwise be allocated. If any forfeiture remains after the payment of Plan expenses, the remaining forfeitures will be allocated as selected under the adoption agreement.
- i. Forfeiture of Employer Matching Contributions can be applied to the forfeiture account if the participant receives a corrective distribution, or if the participant receives a distribution of excess deferrals, excess contributions or excess aggregate contributions.
- j. Buy Back/Restoration of Forfeited Benefits (if applicable)
 1. Per the terms of the Plan Document, if a participant receives a cash-out distribution that results in a forfeiture, and the participant is rehired, the participant may “buy-back” the forfeited portion of his/her account by repaying to the Plan the full amount of the cash-out distribution from such accounts before the earlier of:
 - i. Five years after the first date on which the participant is subsequently re-employed by the employer, or
 - ii. The date a five-year forfeiture break in service occurs.

2) Asset Holding Account - HLD

- a. Conversion Assets
 1. Established based on Employer instruction.
 2. Plans that liquidate and convert assets from a prior record keeper typically have a plan level holding account (default fund) established to hold the transferred assets before allocating assets to participant level accounts.
 3. These assets are handled in this manner strictly as an administrative practice and may be subject to fiduciary standards.

- 3) Unclaimed Property Account - UCP
 - a. Lost Participant or Beneficiary
 1. Occurs upon determination that a participant or beneficiary cannot be located to receive a distribution from the Plan.
 2. Employer can elect to treat unclaimed property attributable to lost participants as forfeitures if permitted by plan document.
 3. Assets in UCP attributable to stale dated checks and uncashed checks are handled according to state escheatment laws
- 4) Unallocated Plan Level Assets Account - UPA
 - a. Mutual Fund Reimbursements (Fund Revenue and Compensation)
 1. MLR Service Agreement specifies details.
 2. MetLife receives compensation from funds in which plan assets are invested. MetLife may credit the UPA with the amount of fund compensation that it receives with respect to Plan assets. The UPA can be used for two of the three Pricing Models.
 - i. Fund revenue is credited to the UPA account. Annual fees are calculated and debited in quarterly installments from UPA. If Plan also has assets in Forfeiture account available to pay plan expenses, fees will be prorated across all available sources. Fees exceeding amount in UPA are automatically debited from participant accounts.
 - ii. On an exception basis, with prior approval by MLR, the employer may be invoiced for fees. Under this scenario, fund revenue is credited to the UPA. Fees are calculated and an invoice is generated and sent to the Plan for billed amounts. The Plan has the option to deduct fees from UPA.
 - b. Mutual Fund Restitution – Upon receiving such checks, employers must review DOL Field Assistance Bulletin Number 2006-01 issued on April 19, 2006, addressing alternatives for retirement plans to consider in connection with settlement proceeds. In general, the alternatives for a plan sponsor when receiving litigation settlements include the following:
 1. Allocate the funds to current and former participants in the retirement plan using a methodology described in the modified plan of distribution negotiated between the fund and the SEC.
 2. Allocate the proceeds to the individuals who are currently participants in the retirement plan in a pro rata manner based on their total account balance in the invested fund, or a comparable fund if the original investment fund no longer exists.
 3. Allocate the funds per capita among the accounts of all participants who are currently participants in the retirement plan.
 4. If none of the preceding alternatives are administratively feasible, the payment may, to the extent permitted by the retirement plan, be deposited to the UPA subaccount and used to pay reasonable administrative expenses associated with maintaining the retirement plan.
 - c. Market Value Adjustment gains - In the event of an error in processing a plan transaction a gain/loss may result. The Plan Administrator can provide direction to have the gain credited into the UPA subaccount for the following purposes:
 1. Payment of plan expenses; or
 2. Reallocated as earnings.

III. Reporting

1) Plan Service Center & PartnerLink

1. Forfeiture/ Unallocated Plan Asset Account Detail

1. Report can be run as a summary or a detail report of Forfeiture/ Unallocated Plan Asset Account activity during a specific period of time. The report provides details of money flowing in and out of each subaccount under the Forfeiture/Unallocated Plan Asset Account, as well as the beginning and ending balances by money type and fund.
2. Report option located within Reports Tab, Plan Reports.
3. Available in PDF or Excel formats and can be queried as a summary or detail report.
4. The following images reflect both sample PDF and Excel outputs.

Sample PDF data output

Forfeiture/Unallocated Plan Asset Account Detail													
Plan Number: 123456-01													
Plan Name: ABC Company Retirement Plan													
Begin Date: 01/01/20XX													
End Date: 12/31/20XX													
Ending Balances Include Change In Value													
Forfeiture/UPA Activity	Event	Effective Date	Payroll Date	SSN	SSN Ext	Participant Name	Money Source	Money Source Descr.	Division	Investment ID	Investment Name	Amount	Shares / Units
Beginning Balance		01/01/20XX					UPA1	Unallocated Plan Assets		ABCDE	Fund 1 Name	4.26	0.000000
Ending Balance		12/31/20XX					UPA1	Unallocated Plan Assets		ABCDE	Fund 1 Name	4.46	0.000000
Beginning Balance		12/31/20XX					ERM1	Employer Match		ABCDE	Fund 1 Name	24,142.90	0.000000
Reconcile Cash	199999999	10/27/20XX	05/31/20XX				ERM1	Employer Match		ABCDE	Fund 1 Name	-25,183.73	0.000000
Ending Balance		12/31/20XX					ERM1	Employer Match		ABCDE	Fund 1 Name	10,711.22	0.000000
Beginning Balance											Grand Total	24,147.16	0.000000
Reconcile Cash											Grand Total	-25,183.73	0.000000
Ending Balance											Grand Total	10,715.68	0.000000
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Sample Excel data output

Forfeiture/Unallocated Plan Asset Account Detail													
Plan Number:		123456-01											
Plan Name:		ABC Company Retirement Plan											
Begin Date:		01/01/20xx											
End Date:		12/31/20xx											
Ending Balances Include		Change In Value											
Forfeiture/UPA Activity	Event	Effective Date	Payroll Date	SSN	SSN Ext	Participant Name	Money Source	Money Source Descr.	Division	Investment ID	Investment Name	Amount	Shares / Units
Beginning Balance		01/01/20xx					UPA1	Unallocated Plan Assets	ABCDE		Fund 1 Name	\$ 4.26	0.000000
Ending Balance		12/31/20xx					UPA1	Unallocated Plan Assets	ABCDE		Fund 1 Name	\$ 4.46	0.000000
Beginning Balance		01/01/20xx					ERM1	Employer Match	ABCDE		Fund 1 Name	\$ 24,142.90	0.000000
Reconcile Cash	199999999	10/27/20xx	05/31/20xx				ERM1	Employer Match	ABCDE		Fund 1 Name	\$(25,183.73)	0.000000
Ending Balance		12/31/20xx					ERM1	Employer Match	ABCDE		Fund 1 Name	\$ 10,711.22	0.000000
Beginning Balance											Grand Total	\$ 24,147.16	0.000000
Reconcile Cash											Grand Total	\$(25,183.73)	0.000000
Ending Balance											Grand Total	\$ 10,715.68	0.000000
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