retirement leadership forum

Participant Statement Delivery for DC Plans

Member-requested, Custom Research Report

December 2020

[Survey Overview]

The Retirement Leadership Forum conducted a short, member-requested survey on how recordkeepers deliver statements to participants. In May 2020, the DOL finalized its Safe Harbor Regulation for Retirement Plan Electronic Disclosures. The rule greatly increases the ability of recordkeeping firms to use email, web, and mobile applications (rather than mail) to deliver documents to participants. In the wake of this change, the RLF investigated how recordkeepers currently deliver participant statements and their plans for the future. Ten recordkeepers responded to the survey.

High level findings from the survey include:

- All firms in the survey can deliver statements either electronically or via paper.
- Currently, the average firm sends 60% of participant statements electronically, although there is a wide deviation around this average.
- Firms rarely charge an explicit fee for paper statement delivery.

The remainder of this report will break down the survey information and responses in more detail.

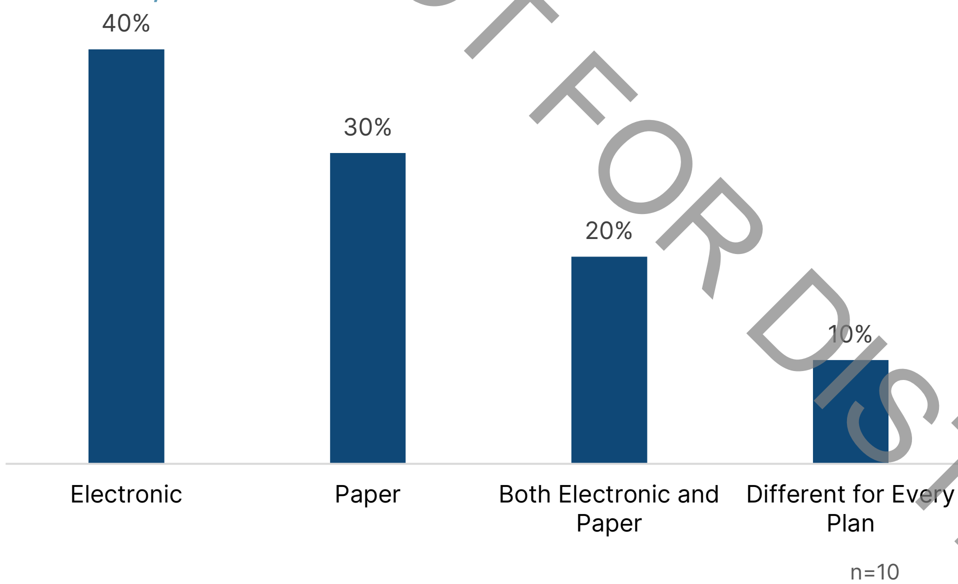
[Default Statement Delivery Method]

When it comes to statement delivery, there was little consistency among the recordkeepers in the default method (see Figure 1). While electronic is the most prevalent with 40% of the respondents defaulting to this option, paper is not far behind at 30%.

A few additional insights on statement delivery methods from the survey include:

- All respondents support both paper and electronic methods.
- Regardless of the default, all respondents allow participants to opt into the other method of delivery (i.e., participant can choose paper instead of electronic and vice versa).

Figure 1. Default Method for Delivery of Particiapnt Statments, 2020



[DOL Electronic Disclosure Safe Harbor]

In May 2020, the DOL published the final version of its electronic disclosure rules for retirement plans. The rules cover a whole host of required participant documents and disclosures, among them statements for defined contribution plans. The rules provide a "safe harbor" for plans that wish to move document delivery to electronic if they meet a few key qualifications:

- Documents must be delivered to participants either in an email/text or stored on a website (or mobile app) to which participants have access.
- If stored on a website/mobile app, the participant must be notified of the availability via email or text.
- The provider must have a valid "electronic address" on file for each participant that they are going to send electronic disclosures. Email or mobile phone number are considered valid electronic addresses.
- The participant must be given the option to opt into paper, and that option must be reasonably easy to access and complete.

There are a host of other requirements that the plan must meet to fall under the safe harbor, but the above are the key components of the rule.

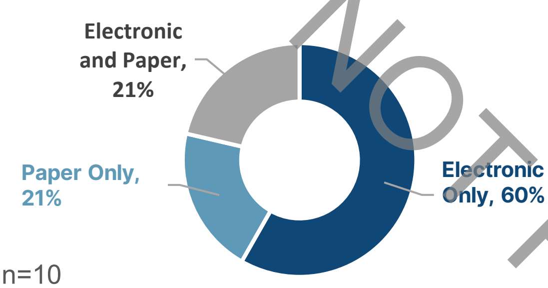
As with any new rule, our members have several implementation questions, and we looked to provide answers to these by asking respondents how they plan to adhere to the new rule. The following is a summary of the findings:

- All respondents indicated that they would leverage the new rule to actively encourage any plan that defaults to paper to switch to electronic. The general view is that they would not go so far as to require a switch, but, as one respondent noted, it will "be an important part of annual plan reviews and any fee negotiations."
- If the participant does not have an electronic address on file, providers will send them paper (even if they are currently set up for electronic). That said, each of the respondents indicated that they would execute campaigns to increase the percentage of participants with electronic addresses, including:
    - Asking sponsors to provide work email addresses for each participant.
    - Sending notices (via mail) to participants (including terminated participants) without a valid electronic address on file to encourage them to enter one. Several respondents commented that these notices would focus on the ease and security of receiving documents electronically.
    - Adding reminders/banners to the website for participants to check/update their electronic addresses. One respondent commented that this could be most effective for terminated participants that have an invalid work email addresses on file.

[Breakdown of Statement Delivery Methods]

As mentioned before, all respondents to the survey allow participants to choose their preferred method of statement delivery, regardless of the default for the plan. For that reason, each firm in the survey is delivering statements using both methods (and the new electronic disclosure rules will not change this as they require paper delivery to participants without an email and mobile number on file). Figure 2 shows the average percent of statements delivered by each method across the entire sample.

Figure 2. Average Percent of Statements by Delivery Method, 2020



n=10

As the chart shows, the majority of statements are delivered only electronically. However, these numbers vary widely across the respondents. Of note, among the three firms in the sample that default to paper delivery for plans, only 35% of participants opted into electronic delivery (and therefore 65% still get a paper statement). This is a large difference when compared to those firms that default to electronic, where the average firm in this group delivered 87% of their statements electronically (and therefore only 13% opted into paper). Given the cost of postage alone, this difference represents a significant cost to the firms with a paper delivery default.

[Fees for Paper Delivery of Statements]

Only one out of the ten firms in the sample ever charges a fee for delivery of paper statements. For this firm, the default delivery method of statements is electronic; however, if a participant opts into paper delivery, there is a $1 fee for each paper statement deivered (charged to the plan). Notably, this firm will allow an entire plan to opt into paper, and in that case, there is no per head charge for delivery of statements as “it’s worked into the pricing.”

It’s also important to note that while only one plan charges an explicit fee per statement, a number of firms we spoke with indicated that for plans that want paper delivery, it’s accounted for in the overall pricing for the plan. That is, among those firms that default to electronic, if the entire plan wants paper, they might add that into the overall plan pricing. However, it’s not an explicit charge, nor is it adjusted as participants opt into electronic.