



ELECTRONIC DELIVERY OF RETIREMENT
AND HEALTH INFORMATION:
FOSTERING SUPERIOR OUTCOMES
AND REDUCING COST TO PARTICIPANTS

BACKGROUND

Americans who participate in employment-based retirement, health, and other employee benefit plans receive many lengthy documents and notices, most of which are in paper form. Many of these documents and notices were first required long before Americans utilized widespread electronic communication, and the regulations that govern them do not readily allow for electronic dissemination. As electronic communication has grown as the primary means by which individuals receive important information, retirement and health plans have increasingly sought to deliver information through e-mail or secure websites. Even where electronic communication is permitted, the IRS and the departments of Labor and Health & Human Services – the primary regulators of retirement, health and other employee benefits – have numerous and inconsistent standards for the circumstances under which an employee can be given a document electronically. This causes confusion for both employees and their employers.

A comprehensive and flexible solution is needed that that embrace technology as a means of communication while protecting those without computer access or who prefer to receive information on paper.

We propose that any required document may (by default) be furnished in electronic form by direct delivery to an electronic address, by posting of material to a website, or by other electronic means. Participants would be provided appropriate notice of how to access the website, what information will be posted there, and the participant's right to receive, at no cost, a paper copy of the information. Additional notice would be provided in the case of any time-sensitive document that may require participant action. Paper notices would be provided upon request at no cost to the participant.

TALKING POINTS

- **Electronic communication has many advantages and will foster better outcomes and reduce unnecessary costs.**
- When information is delivered electronically, it can be provided in a form that is easily accessible, searchable and available around the clock. The web allows a long document to be more manageable because web “click through” allows employees to see more detail where desired. Electronic notice is better than paper for the millions of Americans for whom English is not their primary language, because electronic information can be translated by software almost instantaneously. Electronic delivery also (1) allows participants to respond quickly to plan information, (2) ensures information remains up-to-date and is accessed by participants in “real time,” (3) provides information that is more accessible and digestible, (4) provides information that can be more readily customized, and (5) provides a better guarantee of actual receipt of information.
- Directing participants to electronic mediums promotes the use of electronic tools (such as retirement readiness calculators) that ultimately play an important role in promoting superior retirement outcomes. In fact, as provider data demonstrate, mere exposure to online tools has been shown to encourage participants to increase deferrals or modify their investment strategy.
- Compared to distributing plan documents by regular mail, electronic delivery has significantly lower costs, with savings from printing, processing, and mailing. As economic research shows, these cost savings would ultimately be passed back to participants, translating to lower expenses – and higher net investment returns – for participants. Switching to an electronic delivery default would produce \$200 to \$500 million in aggregate savings annually that would accrue directly to individual retirement plan participants.
- The federal government has largely moved to electronic delivery for federal employee benefits and private employers should have the same flexibility. For example, the Thrift Savings Plan switched to delivering quarterly benefit statements electronically a decade ago. When that happened, the “opt out” rate for paper was very low – only 10%.¹ Like other Americans, federal employees in the Thrift Savings Plan overwhelmingly call the Internet their preferred means of accessing their benefit plan information.²
- The Council strongly supports making paper available to any employee or retiree who requests it. There will always be some employees and retirees who prefer or need paper copies of information.

¹ <http://www.frtib.gov/pdf/minutes/MM-2007Feb-Att6.pdf>.

² <http://www.frtib.gov/pdf/FOIA/2008-TSP-Participant-Survey-Results.pdf>.