

DB digest

Best Practices for Pension Administration

KEY DATES

10/1/17

Commence IRC section 436 benefit restrictions if the plan's certified or deemed 2017 AFTAP is less than 80%.

10/15/17

Due date for the third required quarterly contribution for 2017, either through cash contributions or a signed election to use available carryover and/or prefunding balances.

10/16/17

File 2016 Form 5500, if the due date was extended by a timely filed IRS Form 5558.

10/16/17

All PBGC insured plans, including small plans with fewer than 100 participants, must file the 2017 PBGC Comprehensive Premium Filing and pay flat-rate and variable-rate premiums.

12/31/17

Deadline to certify the 2017 AFTAP if the plan used a "range" certification.

12/31/17

Provide an annual notice about the availability of and the means to obtain the pension benefit statement for 2017 to participants, if the alternative notification approach will be used.

Paper records: Can we shred them yet?

Stephanie Sorenson

We live in the digital age. We cannot function without our smartphones and our free time is consumed with social media.

We go online to receive and pay our bills, manage our bank accounts, and adjust our thermostat when we are not home. We have laptops, tablets, e-readers, and other devices with us at all times, so that we can remain connected and up-to-date.

How does this move toward all things digital reconcile with the piles of paper records and files that already exist in our everyday work environment? Many companies with long histories are facing the challenge of either converting their personnel files from traditional paper records to electronic media or creating some sort of hybrid system using both paper and digital.

There are several arguments to move to a paperless environment. Going "paperless" is a bit misleading though, as you will continue to use paper. It simply means that you are reducing the volume of paper consumed and are dedicated to more sustainable practices.

Space saver

One argument for converting to electronic employee files is that it can save space. The amount of files needed by each department and the number of documents filed within each record can multiply quickly. In addition, staff time is taken up filing records and documents. Paper files require a lot of room and staff time, whereas digital files do not. File rooms can be reclaimed for productive uses and administrators can leave filing behind and refocus on relevant issues.

After the initial expense of moving to digital, electronic files are less costly to maintain over time. Electronic files offer reduced paper and ink usage, less storage fees, and simpler document maintenance. While file rooms and document storage space is at premium, electronic storage is becoming less expensive every day.

Availability

Paper files can only be in one place at a time. If a file is in use by a coworker or misfiled, it will be unavailable to others to use when information may be needed. Searching for missing records or documents burdens and frustrates staff.

Electronic documents can be easily retrieved with a search using keywords in the file name or content no matter where the document is located on the system. In addition to office computers, documents can be viewed by mobile devices, allowing even greater accessibility. Electronic files can also be opened simultaneously, letting multiple departments or staff use the file at the same time. With more employees telecommuting and geographically diverse work groups, files that can be shared are becoming more important.

Security

It is almost impossible to account for each person who accesses a paper file. Individuals can access records without permission, and view and make copies of documents without anyone knowing. File cabinet and storage room keys can be lost or misplaced.

Electronic files, however, can be protected so that only authorized users can be granted access. Users can also be given different levels of access—such as read-only or edit. It is simple to track who has accessed, or attempted to access, electronic records.

While storing data electronically does open up the possibility of documents being 'hacked' or compromised, the advantages of digital documents are still preferred by most advisors. Password protection, encryption, and increased security training for staff are simple solutions for protecting documents. The balance of risk and reward should be considered carefully.

Other considerations

When using a digital medium, systems should be backed up regularly. Backup procedures should be in place so that files can be accessed at any time—even during an emergency or power outage. Disaster recovery plans should be prepared in order to reduce the impact of natural or man-made disasters. Backup files stored securely offsite can be used if the original documents are destroyed to help a business recover under adverse conditions.

In addition, document retention rules still apply for electronic media. New procedures may need to be created to safely purge the unnecessary records without affecting current records.

Where to begin?

Before moving to paperless (or less paper), consider the following:

- How widespread will the implementation be—firm-wide, one department, one process?
- Will the move to paperless be facilitated in-house or should an outside company be retained to help?
- What processes or procedures would benefit the most from a paperless environment?

- Are there any legal or regulatory requirements that must be met or considered?
- What kinds of documents will be stored electronically?
- How will a paperless process be implemented?
- How will processes and procedures change going forward?
- How will the electronic files be organized?
- What file naming conventions should be used to allow documents to be easily accessible and/or searchable?
- Who will maintain the electronic files and related systems?
- What hardware and/or software will be required?
- Who will have access? What level of access should each person have?
- Will archived files and documents be moved to digital or will they be stored and eventually destroyed as their retention periods end?

When converting paper files—including documents governed by ERISA—to an electronic format, employers must follow the guidelines published by the U.S. Department of Labor in its Final Rules Relating to Use of Electronic Communication and Recordkeeping Technologies by Employee Benefit and Welfare Benefit Plans. These rules focus on topics such as safety, accessibility, privacy, records management, and retention of paper copies.

Employers should strive to make certain that:

- Reasonable controls are in place to ensure the reliability, accuracy, and authenticity of the electronic records.
- Files are maintained in a sensible order and in a safe and accessible place.
- Printed versions should be legible and contain all information in an easy-to-read format to be able to satisfy reporting and disclosure requirements.

- Suitable records management practices are established and implemented.

It is recommended that plan sponsors consult legal counsel to ensure compliance with all federal and state laws when migrating document storage.

Human Resources is usually an ideal place to start the conversion to electronic media. Human Resources typically deals with large volumes of data on a daily basis and may be overwhelmed with paper-based processes. They can generally benefit from more modern methods of document management.

Moving your files to an electronic format will not happen overnight and not without some hiccups. However, electronic files can provide many benefits, such as greater accessibility and more effective file security. Strategizing and having a well thought-out project plan can streamline the process and maximize efficiency.

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