The SPARK Institute, Inc.
SHAPING AMERICA'S RETIREMENT

News Release

DATE: June 5, 2015
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SIMSBURY, CT, June 5, 2015 – Today, The SPARK Institute, Inc. released a comprehensive white paper from Quantria Strategies, LLC entitled "Improving Outcomes with Electronic Delivery of Retirement Plan Documents," which examines the rationales for allowing plan sponsors to make electronic delivery the default method for communicating with retirement plan participants. The white paper calculates that 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**.

"Directing participants to electronic mediums promotes the use of electronic tools that play an important role in better retirement outcomes," said Judy Xanthopoulos, principal at Quantria Strategies, LLC. "This study finds that compared to distributing plan documents by mail, electronic delivery has significantly lower costs, with savings from printing, processing, and mailing."

Many retirement plans would like, as a default, to distribute retirement plan information electronically. Participants would be given the right to "opt out" and receive paper communications at no additional charge. But current rules stand in the way. Depending on the nature of the information, any one of four different Internal Revenue Service (IRS) or Department of Labor (DOL) standards may apply.

"Electronic disclosure is more timely, more interactive, environmentally friendly, and produces superior outcomes for participants," said Joseph Ready, President of The SPARK Institute. "It is critical that we communicate with savers in more innovative ways to enhance retirement knowledge and outcomes. Our experience tells us that plan participants of all ages embrace technology."

Among the finding in the white paper:

- **Online Access Offers the Potential to Expand Electronic Delivery –** Recent surveys indicate that virtually all Americans have access to online services, in the workplace and/or at home. Access is broad across age group, race, household income, and region.
- **Attitudes Toward Electronic Delivery –** Findings from a study by Greenwald & Associates, sponsored by the SPARK Institute, and reported in the white paper suggest that a large majority (83%) find it acceptable to receive the information online instead if they have the option to return to paper at no cost. This occurs despite the fact that paper receipt is far more prevalent today. In fact, a significant majority agree with positions that suggest a willingness to consider online receipt. The study was conducted from December 3th, 2014 to January 3th, 2015.

- **Conducting Financial Business Online –** Alongside dramatic growth in computer and Internet use, so too has Americans' reliance on electronic technology for financial communication and transactions grown significantly. This growth has taken place in areas of critical importance to everyday life:
    - ***Banking and Financial Transactions*** – Online and mobile phone banking is fast becoming the preferred banking method across all age groups.
    - ***Social Security Benefits*** – Nearly *all* Social Security recipients (98.6 percent in 2014) receive their benefits through electronic payment.
    - ***Federal Income Tax Filing* –** The trend to file individual tax returns electronically continues to experience steady growth. Specifically, 85 percent of the 137 million returns filed as of May 16, 2014 were filed electronically.
- **Benefits Accruing to Participants –** Allowing retirement plan administrators to make electronic delivery a default would reduce the costs associated with their plans. As the research based on economic incidence theory shows, these cost savings would ultimately be passed back to participants, translating to lower expenses – and higher net investment returns – for participants. The study calculates that 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.

"This research is incredibly timely because Congress is actively considering modernizing the rules that apply to retirement plan communications," stated Michael Hadley, partner, Davis & Harman LLP, and outside counsel to The SPARK Institute. Last Congress, Senator Orrin Hatch (R-UT), who is now chairman of the Senate Finance Committee, included e-delivery rules in his Secure Annuities for Employee Retirement Act and yesterday similar legislation was introduced on a bipartisan basis by Representatives Jared Polis (D-CO) and Phil Roe (R-TN), the Ranking Member and Chairman of the Education and the Workforce Committee, and Mike Kelly (R-PA) and Ron Kind (D-WI), who both serve on the House Ways and Means Committee.

"The SPARK Institute strongly supports legislative and regulatory efforts to bring retirement plan communication into the 21st century." Hadley said. "Some participants and retirees will always want to receive paper, and these bills ensure that those who want paper statements and notices can continue to receive them without additional direct cost. Still, most 401(k) savers prefer to receive information electronically."

The SPARK Institute represents the interests of a broad-based cross section of retirement plan service providers and investment managers, including banks, mutual fund companies, insurance companies, third party administrators, trade clearing firms and benefits consultants. Through the combined expertise of its member companies, the Institute provides research, education, testimony and comments on pending legislative and regulatory issues to members of Congress and relevant Government agency officials. Collectively, its members serve approximately 70 million participants in 401(k) plans, and the substantial majority of all participants in 403(b) plans.

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