Online Enrollment at BPAS: Frequently Asked Questions

Q: What is online enrollment?

Online enrollment is the name for a general set features that can be added to 401(k), 403(b)* and certain other contributory DC plans. Through online enrollment, newly eligible employees can **enroll in the plan online** and existing participants can **change their contribution rate at any time** with a few clicks of the mouse. By delivering convenience to participants and Human Resources, eliminating paper, and eliminating many liabilities associated with paper forms, online enrollment can enhance a retirement plan in important ways.

Because of the many advantages it entails, BPAS strongly encourages our clients to adopt online enrollment. (This feature is supported at no additional cost.)

* Note: Special eligibility rules apply within 403(b) plans which impact online enrollment. Please see the end of this FAQ document for more on this topic.

Q. If we adopt online enrollment, how will it work?

- **For newly eligible employees:** BPAS will mail each a welcome letter prior to their entry date. This letter prompts the participant to log onto the website, select their user credentials, review the online enrollment kit and fund information, select a contribution rate, make their investment elections, and designate account beneficiaries. An online enrollment "wizard" makes this a simple, four step process. All of these elections are captured in the BPAS recordkeeping system, with a confirmation mailed to the participant's home address.

- **For existing plan participants:** At any time, participants can view their current contribution rate in the website (percentage of pay or dollar amount, as elected by the plan, for pre-tax and Roth sources). They can see their year-to-date contributions by source; change their contribution rate; sign up for automatic escalation (if desired); and update their beneficiary designations. (This can be helpful to participants who are trying to "max out" their contributions during the year, with contributions spread evenly over all 12 months).

Q. How does BPAS communicate contribution rate changes back to payroll?

All BPAS clients should become familiar with the plan sponsor website, including the Resource Center where so many valuable reports are delivered. The Resource Center includes the "Action Items" section. Once online enrollment is added to a plan, a special report will appear called "Contribution Rate Changes". This report is updated daily and provides a 30 day look back of all contribution rate changes made by participants (regardless of the reason). **The plan sponsor will view this report when processing payroll – picking up any relevant activity and entering it into the payroll system.** This might include new enrollments, contribution rate changes, automatic increases and employees who have decided to stop contributing to the plan.

Q: Is there an email alert to clients when contribution rate changes happen?

Yes. As of April, 2014, BPAS has added a feature that will send the plan sponsor an email when there were any contribution rates during the prior day. This will remind Human Resources to view the report for the full detail and enter the changes into the payroll system. However, since email can be an imperfect means of communication (e.g., spam filters, email rejections, system outages, etc.), plan sponsors who use online enrollment should *continue* to check the contribution rate changes report when processing payroll (ensuring that any changes are entered into the payroll system). The email alert merely serves as a reminder (e.g., the "belt and suspenders" approach). It is also important to communicate to employees that when they make a contribution rate change, it will be acted on *as soon as administratively feasible*, but there is no guarantee that this will take effect in the next payroll.

Q: Where is BPAS on "180 degree" and "360 degree" integration with payroll vendors?

Without getting into great detail here, a major initiative underway at BPAS is to create better integration with payroll vendors to simplify life for our clients. "180 degree integration" is where a payroll vendor delivers a census file directly to BPAS each payroll period (relieving the employer of this function). The employer will approve this file in CensusPro, after which BPAS will trade the contribution with fund families then ACH pull settlement funds from the employer's checking account.

"360 degree integration" takes the process a step further, where BPAS feeds payroll-related level changes directly back to the payroll vendor, with a corresponding e-notification to the plan sponsor (in case the employer disagrees with a given payroll change and decides to intervene). For more information on these concepts and a summary of options available, please contact your BPAS Representative. There are a number of options we can explore with clients if they are concerned about the amount of time it is taking to submit census files to BPAS.

Q: Is online enrollment appropriate for your organization?

In our experience, in terms of workplace technology access, most plan sponsors fall into one of three categories:

- **Group A:** Workplaces where the <u>vast majority</u> of the workforce uses or has access to a computer;
- **Group B:** Workplaces with a <u>mix</u> of computer access (e.g., management and supervisory level employees have computer access at work while other employees may not); and
- **Group C:** Employers where only a <u>small percentage</u> of the workforce has computer access at work or where providing such access would be difficult.

Online enrollment is obviously a great fit for "Group A" employers because of the high level of technology access. For those in Group B, our experience is that when the employer will configure a computer at various locations for use in HR or benefit-related needs (the "HR kiosk" approach), online enrollment also works quite well. The biggest challenges for online enrollment are generally among

"Group C" employers, where paper forms can still be attractive (in spite of the hidden liabilities such forms present to the employer).

We would remind employers that in today's world, the number of employees who *truly* do not have internet access is getting to be fairly small – especially with the prevalence of smart phones, tablets and other web-enabled devices. Between workplace access and access that employees may have at home or elsewhere, online enrollment is within the reach of most employers today. (Keep in mind that the BPAS voice response unit and CSR team can assist employees who still do not have computer access).

Q: What are some of the hidden liabilities associated with paper enrollment forms?

While it can be tempting to use paper enrollment forms as a quick way to capture employee instructions during an enrollment meeting, what happens next can become perilous for the plan sponsor. Unfortunately, enrollment forms can serve as living proof that "no good deed goes unpunished". Over the years, we have seen situations where enrollment forms were lost, damaged, misplaced, delayed or never submitted to BPAS, which created time consuming or expensive disputes with plan participants. There have been cases where multiple forms were submitted, forms were submitted with vague or unclear instructions, forms submitted with other written requests, forms were faxed but the page was illegible or never received, forms had elections that did not add up to 100% and much more. We have seen various parties need to make restorative contributions to resolve disputes caused by enrollment forms, including dozens of employer. And because of the great potential for misunderstanding that enrollment forms create, this is an area where BPAS needs to take a very "black and white" approach.

Full online enrollment solves these problems all at once. Transactions are entered immediately into the recordkeeping system by the participant with no action required by the employer or anyone at BPAS. It is not possible for a form to be lost, misplaced, damaged or delayed in transmission, or for the participant's instructions to be unclear or ambiguous. There is a clear "audit trail" of the entire transaction; everything is time and date stamped and a confirmation is provided immediately to the participant. The plan sponsor can take one more potential concern about the retirement plan off its list.

When you consider the above issues *plus* DOL penalties for failing to enroll new participants on time (which can be very costly to an employer), we feel that paper enrollment forms have outlived their usefulness in today's world. BPAS urges all clients to move to online enrollment to eliminate these potential problems within their plan.

Q: Why is the online beneficiary designation feature (OBD) a separate election for plan sponsors?

When an employer asks us to implement online enrollment within their plan (see instructions at www.bpas.com/options), we will include the online beneficiary designation feature (OBD), unless we are instructed otherwise. There are a few situations where an employer may want to "carve out" the OBD feature – for example, if the employer uses a company-wide HRIS system for all benefit elections and would like beneficiaries to be maintained there instead. However, we will err on the side of delivering complete automation to our clients until they tell us it is not wanted.

Q: If we add online enrollment to our plan, can we continue to receive paper forms from some employees while others use website?

In order for online enrollment to work properly without creating the chance for other errors, BPAS needs to maintain the most up-to-date "table" of all contribution rate elections on our system at all times (covering *all* employees). BPAS will not process any contribution rate changes via paper form – all of these changes must be made by employees directly in the website. So if an employer rolls out online enrollment but still has certain employees who are unwilling to use the website for this purpose, one solution is for the employer to accept this form, then log onto the website, drill down as that participant and enter the rate change on their behalf. This way, the BPAS system will stay up to date at all times for all contribution rates (0% and otherwise), so the process will continue to work properly. A better approach would be to **help the employee log on as themselves** and key the transaction directly. This helps employees learn to use the website so they can be more engaged as retirement plan participants.

Q: Why is participant engagement so important?

While eliminating paper, reducing employer liabilities and adding convenience are all important concepts, remember that what we are really trying to do in offering DC plans is to **engage plan participants**. Moving to full online enrollment will make your participant website a "self service kiosk" that is more valuable and helpful to the user. When employees log onto the website, they can begin to explore the many planning tools and resources available. Also, remember that when we let participants do things via paper instead of using the website, we are almost *encouraging* employees to ignore their account and let inertia prevail. Considering how high the stakes are for today's retirement plan participants, it behooves all of us to make sure participants are engaged.

Q: Is there a cost for upgrading our plan to online enrollment?

No. This feature is supported at no added cost to the employer.

Q: How do we upgrade our plan to full online enrollment?

Please visit www.bpas.com/options and select the page for online enrollment. Within this page you will find the plan sponsor FAQ (this document), an online request form and a sample participant memo. After you submit the request, our team will be in touch with you to discuss implementation. You can then modify and distribute the memo to employees -- announcing the new feature and asking employees to begin using it.

Q: What if we have additional questions?

If you have any additional questions on online enrollment, please send an email to TrustSales@bpas.com or contact your BPAS Plan Consultant. We will be pleased to help.

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Thank you for allowing us to explain online enrollment and the enhancements in can deliver. We look forward to upgrading your plan with this valuable feature.