

2016 ERISA ADVISORY COUNCIL

Participant Plan Transfers and Account Consolidation for the Advancement of Lifetime Plan Participation

Statement of DST Systems

Statement Presented by
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Introduction

My name is Mike Westhoven, and I am a Product and Business Development leader within DST System's Retirement Solutions business. I am honored to submit testimony to the ERISA Advisory Council on a subject that is critical to preparing Americans for retirement. At DST we share the council's belief that a safe, secure, and happy retirement should be within the grasp for all retirees.

In my testimony I will share some background on DST Systems and the scope and scale of the work being done today, the existing technology and processes that currently help tens of thousands of participants rollover accounts between defined contribution plans and IRA accounts, and how this technology framework of connectivity and services can be applied to plan-to-plan transfers.

About DST Systems

DST is a leading provider of specialized technology, strategic advisory, and business operations outsourcing to the financial and healthcare industries. We help clients master complexity in the world's most demanding industries to help them to stay ahead of and capitalize on ever-changing customer, business and regulatory requirements. DST along with its affiliates operates with ~13,000 employees and had operating revenues of over \$2B in 2015 with Financial Services clients in Mutual Funds, Brokerage and Retirement as well as Healthcare Services clients.

DST's Positions in Key Markets

Transfer Agency	<ul style="list-style-type: none">• Largest third-party provider of US mutual fund shareholder recordkeeping• Largest third-party processor in the UK
Retirement	<ul style="list-style-type: none">• Leading provider of ASP and BPO defined contribution recordkeeping• Second largest defined recordkeeping platform when current conversions are completed
Brokerage	<ul style="list-style-type: none">• Vision/Vision HomeOffice are the most widely used web-based account aggregation sources for advisors and broker-dealers• Second largest subaccounting platform
Healthcare	<ul style="list-style-type: none">• Largest Medicare Part D pharmacy claims processor in the industry• Providing health plan administration solutions and medical claims processing products since 1976• Providing independent customized pharmacy benefit solutions since 1987
Insurance	<ul style="list-style-type: none">• Currently providing services to 23 of the top 25 US life insurance carriers
Communications	<ul style="list-style-type: none">• One of the largest First-Class™ mailers in US

The Need for Plan-To-Plan Transfers

Within the retirement services industry, participants separating from service typically don't understand the distribution options they have. In fact, the distribution event is often the most complicated decision a participant has to make with respect to a plan – far more complicated than the decision to enroll – but they typically receive little guidance or information when making this important decision.

With the advent of the baby boomers moving into retirement, and people changing jobs more frequently, we have seen IRA Providers ramp up services to support participants in the IRA rollover process. But little has changed in terms of the processes or services available to participants who want to evaluate and compare all four of their distribution options – including rolling their savings into their

new employer's plan. This option still requires a participant to verify that their new employer will accept rollovers, to coordinate the transfer of their savings between two separate plan administrators, and to comply with the requirements to validate their savings as tax-qualified retirement assets.

A study conducted by The Government Accountability Office (GAO) entitled "Labor and IRS Could Improve the Rollover Process for Participants" highlighted the fact that the Department of Labor and the IRS should take steps to simplify the plan-to-plan transfer process for participants to ensure that participants receive complete and timely information about all their distribution options when separating from service.

The GAO found that several factors make the plan-to-plan transfer process overwhelming for all but the most motivated and knowledgeable plan participants. Such factors include:

- Waiting periods to roll into a new employer's plan
- Complex verification procedures to ensure savings are tax-qualified
- Broad divergences in required plan paperwork and forms

These impediments all make IRA rollovers the more attractive choice by far, especially considering the level of service and attention IRA providers provide to participants when they roll their savings into an IRA.

One of the main obstacles in processing a plan-to-plan rollover is how to process the distribution from the prior recordkeeper. Paperwork, lack of cooperation, and various levels of approvals all make this a very daunting task to undertake. Many firms have created groups in their asset retention or recordkeeping call centers to manage the library of forms required to support rollovers into plans at their institutions.

DST's RolloverCentral® Solution

A plan-to-plan transfer between two defined contribution plans is almost always accomplished through a rollover. While there are differences, this plan-to-plan rollover shares many similarities to a rollover to an IRA and a review of existing successful solutions in the search for best practices is worth the effort. RolloverCentral is a tool to educate users about all distribution options — including rollovers — while maintaining focus on retirement goals. In the past two years, over 69,000 participants have rolled over accounts valued at \$6.7B through RolloverCentral. This is possible because the platform is integrated with 14 of the top 25 defined contribution recordkeepers and leading IRA Providers creating a roundtrip rollover process that significantly reduces paperwork and a participant's time out of market. This is an example of how technology can be leveraged to better educate participants and streamline processes so that participants can make better more informed decisions to preserve their retirement savings. Below is a brief description of the services.

What the IRA Rollover Solution Looks Like Today

Main Page

Learn More

Link takes user to How It Works page which explains benefits of RolloverCentral.

Quick Start Feature

Highlights IRA providers available.

Streamlined Processing

IRAs can be opened quickly and easily right online — and for most IRA options, savings can be transferred electronically — instead of mailing a check. Supports choice of IRA options through Marketplace, advisor referrals and asset retention.

RolloverCentral
POWERED BY WISI

HOME | HOW IT WORKS | LEARNING CENTER | HELP

Roll over your retirement account quickly and easily at no cost to you.

Why Rollover Central? Watch our Video

Use of Rollover Central is offered at no cost to you; however, account and fund related fees charged by financial providers will apply. Consult the materials presented by your selected provider.

Dive right into a new IRA from our marketplace of brands you know and trust.

American Century Investments | Charles Schwab | Fidelity | Merrill Lynch Wealth Management | Personal Capital

If you already know what you're looking for, click a logo above and we'll get you started with a rollover to a Traditional or Roth IRA in minutes.

Safe & Secure
All the information exchanged between you and Rollover Central is secured using the highest levels of encryption. Our practices are monitored and verified by independent third party security organizations.

Not ready yet?
Don't worry. Just give us your email address and we'll remind you to come back when you've got the time.

Learning Center

FAQs

Users can click tabs and view FAQs about all distributions, IRAs and annuities to learn interactively about their options.

Videos

Provide participants with additional educational content and the things they should consider based on their own situation.

Featured Articles

From DST's editorial team are updated frequently to support participants in learning more about retirement planning topics including distributions and rollovers.

Shop The Marketplace Step 1 of 5

Shop The Marketplace

Use the tools below to select the IRA features that are most important to you and view the IRA providers that match your search criteria. Click 'Select' next to the IRA provider's name to open your IRA.

7 results available

Sort by: Alphabetical

Options
Choose the IRA features that are most important to you.
 Access to Financial Advisor (6)
 Account # Assigned Same Day (6)
 Roth IRA Option (4)
 Special Offers (5)
Select All Clear All

Providers
Select the IRA providers whose products you would like to see displayed in the marketplace.
 American Century Investments
 Charles Schwab
 Fidelity Investments
 Merrill Lynch
 Personal Capital
 F. Rowe Price
 TD Ameritrade
Select All Clear All

American Century Investments
Access to Financial Advisor * Account # Assigned Same Day * Special Offers
Maintenance Fee: \$0 account maintenance fee for balances \$15,000 or more; \$12.50 semi-annual account maintenance fee for balances less than \$15,000
Minimum Trade: \$0 for mutual fund buy, sell, and exchange transactions
Special Offer: Free Investment Guidance. Call an Investment Consultant at 1-888-345-8852

Charles Schwab
Access to Financial Advisor * Account # Assigned Same Day * Roth IRA Option * Special Offers
Maintenance Fee: \$0
Minimum Trade: \$0.01 online equity trades
Special Offer: Complimentary Consultation
#5 Smart Money 2011 - Top 10 Discount Brokers

Fidelity Investments
Access to Financial Advisor * Account # Assigned Same Day * Roth IRA Option * Special Offers
Maintenance Fee: \$0**
Minimum Trade: \$7.95
Special Offer: Commission-Free Trades
#1 Smart Money - Best Discount Broker three years running*

The Marketplace

Filter Options

Participants can actively shop, compare and sort IRA providers based upon the criteria that are most important to them.

IRA Provider Profile Data

Summarized on screen for easy reference by users.

Compare Function

Allows users to select and narrow down the number of IRA providers presented. Users can select the providers they are interested in and compare only those providers selected in a Comparison Table view.

Email, Save Now and Print functionality allows users to share data with spouses or advisors as part of their decision making process.

The screenshot shows the RolloverCentral website's 'Shop The Marketplace' section. At the top, there's a navigation bar with 'HOME', 'HOW IT WORKS', 'LEARNING CENTER', and 'HELP'. Below that, a progress indicator shows 'STEP 1 OF 5'. The main heading is 'Shop The Marketplace'. A green banner reads: 'Use the tools below to select the IRA features that are most important to you and view the IRA providers that match your search criteria. Click 'Select' next to the IRA provider's name to open your IRA.' Below this, there's a 'Provider Search' sidebar with 'Options' and 'Providers' sections. The 'Options' section includes checkboxes for 'Access to Financial Advisor (5)', 'Account # Assigned Same Day (5)', 'Roth IRA Option (4)', and 'Special Offers (5)'. The 'Providers' section lists 'American Century Investments', 'Charles Schwab', 'Fidelity Investments', 'Merrill Lynch', 'Personal Capital', 'T. Rowe Price', and 'TD Ameritrade'. The main content area shows '7 results available.' and a 'Sort by: Alphabetical' dropdown. Three provider cards are visible: American Century Investments, Charles Schwab, and Fidelity Investments. Each card includes a logo, a 'Select' button, and a 'Compare' button. The American Century Investments card lists a maintenance fee of \$0, a minimum trade fee of \$0 for mutual funds, and a special offer of free investment guidance. Charles Schwab lists a maintenance fee of \$0, a minimum trade fee of \$5.95, and a special offer of complimentary consultation. Fidelity Investments lists a maintenance fee of \$0, a minimum trade fee of \$7.95, and a special offer of commission-free trades.

Transaction Execution

For those participants who do decide to rollover to either a new or existing IRA, RolloverCentral applies applicable recordkeeper, plan and product provider processes, facilitates the completion of required forms for both distribution and acceptance, and provides funding instructions to facilitate a fast and process designed to minimize errors. The application also supports a Rollover to New Employer's Plan option to support some participating recordkeepers in capturing the information needed from participants to facilitate these plan rollovers.

Supporting Plan-to-Plan Portability

Expanding RolloverCentral to fully accommodate plan-to-plan rollovers requires accommodations specific to the receiving recordkeeper and plan. Currently, there is a great deal of variability in the way plans choose to manage both distributions from and transfers into their plans. This is driven by plan rules and existing distribution and transfer processes that are not uniform across plans or providers. This variability is accommodated on the distribution side within the IRA rollover process, but the transfer in process presents additional challenges. The first is that a participant ideally needs to know that their destination plan is able and willing to take the rollover before even starting the distribution process. Assuming that the way is clear, the participant then needs access to the required form associated with that destination recordkeeper and plan. Lastly, this participant should have a means to do some level of evaluation of the plans to validate their course of action.

To support these efforts three main components would need to be added to the existing RolloverCentral process:

1. Library of recordkeeper/plan rules for acceptance along with funding instructions
2. Expand data shared/connectivity to recordkeepers (forms/rules/instructions)
3. Tools to evaluate/compare old plan line-up and plan fees with new plan line-up and fees and perhaps a plan benchmark by plan size category (e.g., Brightscope)

The service points associated with these changes in support of the plan-to-plan rollover process would be:

- Participating firms would connect to RolloverCentral to access the platform to support the completion of forms or interfaces for plan-to-plan rollovers.
- Service representatives would obtain information from participants about the plan they want to roll their savings to and enter the information into the Plan Look Up function within the platform.
- Representatives would identify the plan and confirm that the plan allows rollovers-in; Representatives can then access rollover-in requirements for the plan and directly complete required forms by entering the participant's information.
- Completed forms and materials can be electronically signed or mailed to participants for completion.

Recommendations

In the case of plan-to-plan rollovers, the variation in processing procedures and the lack of conformity to an industry standard across plans on both the sending and receiving side is the main source of complexity. It should be noted that not all variation could or should be eliminated as individual plans will continue to make rules they believe to be in their best interests. However, the reduction in purely administrative variation or circumstances that create varied plan responses directly improves speed and efficiency. Regardless of underlying complexity, technology like RolloverCentral can be leveraged to make the process faster and more efficient for participants encouraging a lifetime of plan participation.

Top Recommendations:

1. Setting standards at a recordkeeper level versus a plan level would be a good first step with the ultimate goal of standards at an industry level. These standards would target:
 - Forms on distributions from plans
 - Forms for transfer into plans
2. On the procedural side, the use and acceptance of ACH wire for the movement of money would hugely reduce the complexity and time. Frequently a participant is forced to act as a go-between between the two plans/recordkeepers introducing errors by bringing a novice into process requiring expertise. Even when all processes are executed properly, checks can extend a participant's time-out-of market and lost checks and stale dated checks drive the potential for rework.