



ENHANCING RETIREMENT PLAN SPONSOR EXPERIENCE

ABSTRACT

This paper offers suggestions for Recordkeepers and Third-Party Administrators on enhancing plan sponsor experience basis the key themes of Plan Administration and Plan Health, to help them achieve their objectives while meeting the challenges of plan administration cost increase, revenue compression and plan health sustenance.

Introduction

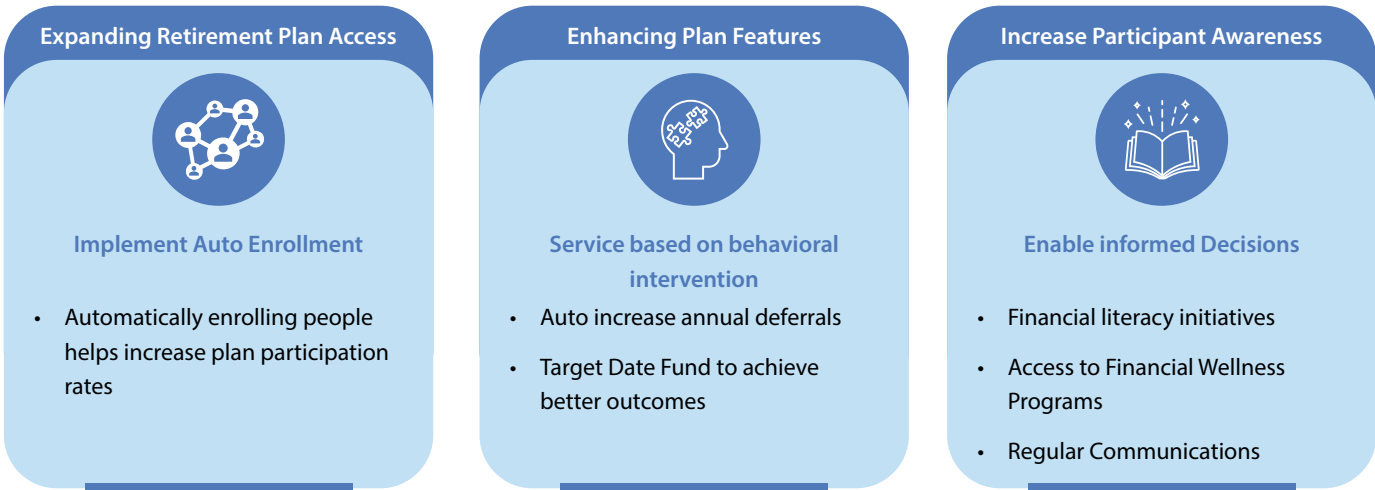
The US retirement industry is currently passing through a challenging phase, mainly attributed to insufficient retirements savings among households, on account of increasing inflation and escalating housing and healthcare costs. Around 30% of private industry (including full time and part time) employees had no access to Retirement Benefits as of March 2024¹. Active employees with no access to retirement savings plan(s) potentially end up with reduced retirement savings, thereby compounding the problem of financial insecurity at retirement.

In recent times, Congressional lawmakers have undertaken positive steps (via legislative changes like SECURE and SECURE 2.0 acts) to address the looming crisis. But the ongoing challenges present a compelling case for **plan sponsors** to complement these efforts in helping plan participants create a **future proof, sustainable income stream** to achieve financial security at retirement.

Recordkeepers and TPAs² in the Retirement Services Industry play a very crucial role in helping Plan Sponsors design, implement and future proof retirement plans that generate sustainable income stream, by **providing appropriate tools, expertise and a productive partnership**.

Helping Create a Sustainable Income Stream at Retirement

To help Plan Sponsors create a sustainable retirement income stream for participants, following Plan design trends can be considered.



Plan Design Trends - Enabling Sustainable Income stream



Future Proofing Plan Sponsor Offerings

The recordkeepers and TPAs need to work closely with plan sponsors to ensure participant benefits offerings are adaptable and future relevant to create a sustainable benefits program. This underscores the need to enable plan sponsors future-proof their offerings, by incorporating a few essential levers.

STRATEGIC FOCUS AREAS

Process Automation



- Efficiently handle increasing participant data volumes while ensuring accuracy through AI driven automation
- Use AI algorithms to track, manage, and update compliance requirements

Data Analytics



- Use AI/ML algorithms to analyze disparate data and use them to mitigate risk exposures
- Gain insights into Plan performance through predictive and diagnostic analysis to undertake necessary remediations

System and Service scalability



- Seamlessly scale with sponsor needs as participant and asset volumes grow

Security



- Mitigate any potential cyber security risks over a stable, secure, digital platform

Self-service



- Enable self-service features for sponsors, participants, and personalized plan advisory

UX Design



- Implement Modular and Scalable design to allow easy updates, factor in growing data volumes and seamless integration with interfacing systems



Transforming Sponsor Experience - Plan Administration

Plan administration is very critical to plan sponsors for reasons listed below.

- Ensures the plan operates within the framework of regulations that DOL¹³ enforces via ERISA¹². Any noncompliance can result in
 - o Imposition of stiff penalties on the plan sponsor³
 - o Plan disqualification by DOL, that cascades into participants having to forfeit tax benefits on their vested account balances.
- Enables plan sponsors to fulfill their fiduciary responsibilities of acting in the best interests of the plan participants.
 - o Any breach of fiduciary duties can result in participant lawsuits and prolonged legal battles, denting the sponsor reputation.
- An efficiently administered retirement plan can greatly improve participant morale and serve as a tool to attract and retain talent.
 - o Any dent in sponsor reputation is a detriment to employee morale

Considering the critical nature of Plan administration, recordkeepers and TPAs need to deep dive into the roadblocks to effective plan administration and develop remediations to enhance the sponsor experience in efficiently managing and administering the plan, in compliance with all regulations.

Examples of penalties due to administrative lapses and Fiduciary breaches

- \$1.4 bn restored to Employee Benefit Plans, Participants and Beneficiaries in FY 2024 by ESBA⁴
- Lawsuit filed against an organization over ERISA compliance violations by DOL⁵

Principal pain points hindering effective Plan Sponsor Experience

► Ineffective and ageing Technology stack

- o Supporting applications running on legacy technologies with antiquated processes
 - Not having the correct security patches makes them vulnerable to cyber-attacks.
 - Inability to integrate well with other applications using newer technologies, hindering workflow automations and plan sponsor ability to self-service.
 - Limitations in scaling up to handle complicated plans with a wider mix of participants and being compliant to newer regulatory requirements.
 - Limits the ability to attract and retain participants, leading to shrinking of revenue streams.

► Lack of Quality Data – Availability of quality data is the cornerstone of successful retirement plan administration, and lack of it can lead to severe hindrances

- o Inability to timely and accurately service sponsor and participant requests
 - Incorrect data on Contributions, leave of absence etc., can lead to miscalculated benefits, resulting in escalations.
- o Inaccurate or missing data for participant demographics cause issues in compliance testing.
- o Inability to run advanced analytics, cleaning up messy data is time-consuming and expensive.
- o Ineffective HR and payroll data integration, impacting the quality of participant demographics and payroll data being processed downstream.

- o Manual intervention in data processing delays data availability, causes processing errors thereby hindering timely decision making

Technology interventions to address the pain points

- Migration of legacy applications to cloud based admin systems
 - o To operate with greater scalability and flexibility, improved maintainability, resulting in increased efficiency
 - o Ability to integrate seamlessly with other existing applications
- Use of Robotic Process Automation (RPA) bots
 - o Repetitive tasks can be automated, improve processing speed
 - o Automate nonstandard underlying processes that are otherwise challenging to change
 - o Automation enables streamlining of activities like calculation of beneficiary entitlements, ensuring appropriate asset allocations etc.
 - o Workflow automation reduces operational costs by increasing self service
- Advanced data analytics leveraging AI/ML (Artificial Intelligence/ Machine Learning) algorithms help identify trends and potential issues in plan administration
- Develop data lake as a powerful tool to address lack of quality data
 - o Consolidating data from disparate sources and applying data cleansing and deduplication results in improvement of data accuracy. This facilitates reliable and informed decision making.

Streamlined Plan Administration for Enhanced Plan Sponsor Experience

To enhance sponsor experience, streamlining of various plan admin activities on the plan sponsor portal are essential, as detailed below

1. Processing of files from HR/Payroll systems

► Enhancements to enable seamless processing

- o UX improvement
 - Presence of context sensitive help options, search functionalities within the sponsor portal to offer additional help in uploading files, scan past uploads etc.
- o Use of integration tools like Unified APIs⁶ by recordkeepers to scale payroll integrations
 - Enable access of multiple payroll files in one click
 - The fetched data can be standardized into a more manageable format, creating a best-in-class experience for plan sponsors
- o Encryption of payroll files during transmission to ensure data integrity
- o File format flexibility and upload file size
 - Support wide range of file formats to accept the data from recordkeepers without any further format conversion
 - Optimum upload file size to handle multiple payroll cycle files (especially for large plan sponsors)
- o Validation and error handling
 - Effective use of AI to ensure format creation and identification of data errors – this will enhance the speed and correction of the data flows
 - Implementation of robust validation checks in an AI assisted engine for errors, inconsistencies in the uploaded file data and timely notifications/alerts for error handling

2. Processing of requests and cases

- A case management system (CMS) can be valuable in streamlining work requests from participants, as well as tracking cases created by plan sponsors for other support functions. It offers the following benefits to plan sponsors
 - o Centralize all communication – tracked and managed in one location only
 - o Improved efficiency – automated task assignment, notifications and resolution tracking provide plan sponsors additional bandwidth to focus on other activities

- o Improved reporting – CMS can generate reports on volumes and types of requests and cases serviced, resolution types, turnaround time (TAT) etc. These can help identify issue trends and suggest improvement scope(s).

3. Communication and Collaboration

- The ability to collaborate seamlessly in operating plans that are aligned to benefit the participants fosters strong relationship between the plan sponsor and record keeper. An experience of collaboration supported by seamless communication in discharging plan administration fiduciary responsibility can reduce administrative overload and maximize sponsor satisfaction.
 - o Use of AI powered chatbots and Virtual assistants to quickly resolve issues between interested stakeholders reducing the need for phone calls/email exchanges
 - o Enable AI facilitated secure messaging between plan sponsor, record keeper and other parties for prompt query resolution.
 - o Collaborate to share and, manage plan documents including regulatory and legal documents between interested stakeholders

4. Plan Compliance testing (Non-Discriminatory testing)

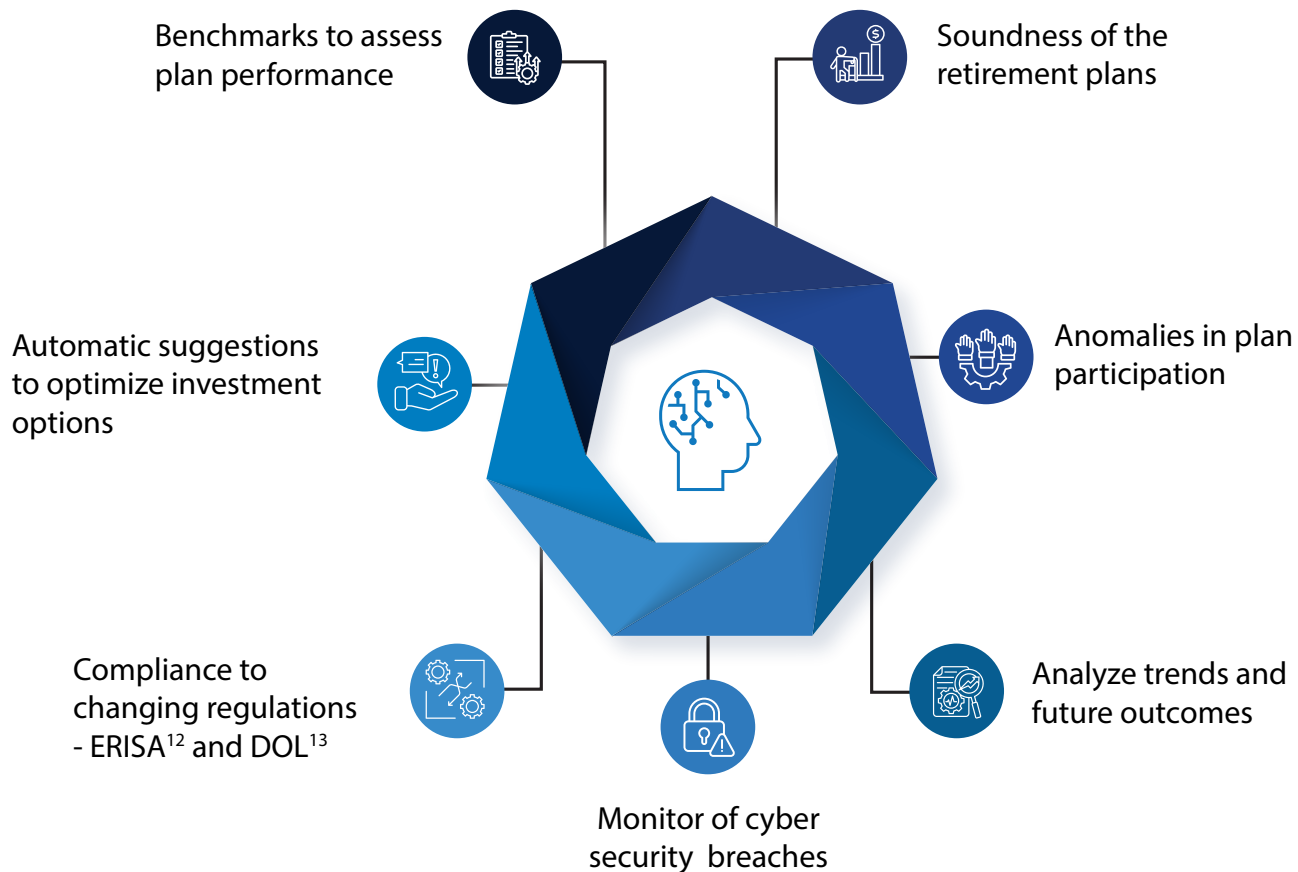
- Automated tools and Analytics
 - o Presence of robust tools for automating compliance testing
 - o Enable plan sponsor to conduct simulated 'what-if' scenario testing to understand the impact of variables like contribution percentages, participant demographics and other variables
- Automated alerts to notify plan sponsor of upcoming testing deadlines
- Seamless integration with Payroll, HR and other applications to ensure data currency before testing
- Generate comprehensive reports summarizing test results.

Plan Sponsors holy grail to enhance Participant experience.

- Embrace Hyper personalization to make tailored offerings for each Participant⁷
- Offer FWP¹⁵ to address holistic financial needs of participants
- Build flexibility of adding decumulation vehicles to retirement plans for e.g. Retirement tier for participants nearing retirement age, as per DCIA⁸ guidelines
- Offer Retirement Plan Cybersecurity Insurance to participants^{9/10/11}

Transforming Sponsor Experience - Plan Health

To uncover issues and trends impacting plan health and wellness, plan sponsors require data driven monitoring and analysis tools to accelerate any plan decision making. An effective plan health tool provides real time data to track plan's progress, drives strategic planning, thereby enabling them to make more informed decisions.



Plan Health Transformation Levers



Plan health transformation levers that can help enhance plan sponsor experience.

1. Use of AI powered tools to identify any compliance risks in the existing plans in view of ever-changing regulations.

- ▶ Use analytics to analyze soundness of retirement plans, uncover issues and trends affecting them, for e.g.
 - o Low participation – certain groups of employees not participating
 - o Low contribution – participants not contributing enough to maximize employer match
 - o Inappropriate asset allocation – funds allocated are not age appropriate and performing poorly
 - o Unusual money movements – more outflows, excess trading, excess loan defaults
- ▶ Analyze large datasets for plan participants and identify anomalies in for e.g.
 - o Contribution limits – participants who have exceeded contribution limits due to duplicate contributions or in error.
 - o Eligibility – ineligible participants currently contributing to the plan
 - o Distributions – discrepancies in loan repayments or other modes of distributions
- ▶ Use predictive analytics to identify trends and predict future outcomes (like contribution shortfalls/participant disengagement etc.)
- ▶ Automatically monitor compliance to changing ERISA and DOL compliance rules, for e.g.

- o Setup alerts to automatically monitor updates to ERISA and DOL regulations
- o Compare plan documents/procedures against updated regulations and help flag up any potential gaps/risks
- ▶ Enable suggestions for plan sponsors to optimize investment options based on fund performance
- ▶ Monitoring of cybersecurity breaches at participant level - maintain a dashboard and send an alert to all stakeholders whenever any data breach is reported, for e.g.
 - o Unusual login activities
 - o Indications of identity theft (compromise of personal information)
 - o Unusual access to sensitive data

2. Use of benchmarking tools

- ▶ Enable comparisons with industry benchmarks to assess plan's performance with respect to reasonableness of plan Fees, optimizing investment options, improving plan design etc., thereby identifying areas of improvement.

(55% Plan Sponsors benchmark their retirement plans annually, 11% every one or two years¹⁴)

- o Any benchmarking tool should use cutting edge technologies to provide unparalleled data accuracy

Conclusion

Plan sponsor acts as the foundation of the retirement services value chain, setting the course for plan experience. By working in conjunction with plan sponsors, recordkeepers and TPAs can facilitate a seamless sponsor experience.

They can leverage state of the art technologies, providing best in class solutions to automate critical plan admin and plan health features along with a transformative user experience. Use of advanced technology (AI/ML) and analytics on the portal can help sponsors gather actionable insights, enhancing confidence in their decision making.

They can also assist sponsors with optimized plan designs, compliance with regulations and benchmarking retirement fees vis-à-vis industry standards, besides providing guidance in designing and managing Financial Literacy initiatives /other FWPs.

These collaborative efforts ultimately contribute to enhanced sponsor outcomes by promoting informed decision making.

A well-designed plan sponsor portal will streamline plan administration and provide long-term success in plan management.

Enhancing the Plan Sponsor experience results in an eco-system that provides necessary tools to meet the sponsor fiduciary obligations. By providing exceptional services, recordkeepers and TPAs can build strategic relationships with existing plan sponsors. The goodwill and reputation earned in the process can greatly enhance their brand value in the retirement services workspace, attracting new clients, thereby leading to competitive advantage and potentially increased revenues.



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