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What's Next in Online Enrollment?

A perfect storm of demographic and technological changes is driving evolution and innovation.

BY JOHN IEKEL

When one is part of a huge assemblage pouring inexorably forward, it can be instructive to step to the side and take a look back at the advancing crowd to take stock of the movement in progress. And so it is with online enrollment, which is not quite ubiquitous, but is on the road to being so.

A GROWING TOOL

Online enrollment is on the rise. But why? The biggest reason is a perfect storm of demographic and technological change.

It's particularly necessary given the expertise and life experience of younger workers. Millennials and Gen X-ers are especially accustomed to doing things via online technology. "I think it is growing because it is more attractive to more tech-

savvy younger investors," says D. Beth Yingling, Senior Vice President of Human Resources and Organizational Development at Apple Federal Credit Union (FCU).

Rob Seidel, a retirement plan specialist with American Pensions, Inc., notes three more technological reasons for the growth of online enrollment:

Employers generally are trying to reduce paperwork, and this replaces the typical enrollment form.

Online enrollment provides a more detailed audit trail, so paperwork isn't lost.

More people have access to the Internet than 10 years ago, and are already using the web for their other benefit enrollments.

Of course, it's also important to balance the needs of younger, tech-savvy employees with those of older workers. The way to meet this challenge is to provide some sort of solution so

the tech-savvy can go online, while others can turn to other sources for help and information. To serve the latter, an employer can have a provider onsite to help them enroll, provide access to a call center that can verbally enroll participants, or just provide paper forms.

IS NEWER BETTER?

Continuing improvement in employee educational resources, more effective and immediate engagement of employees, and a more streamlined and fast process are among the advantages online enrollment offers.

Remember the huge package that Human Resources would hand new employees that contained information about benefits and enrollment? An online component obviates that, Seidel notes. “The old way of conducting an enrollment meeting and handing someone a 40-page book is ineffective. We believe the online enrollment process is a better way to help individuals start saving, and if set up correctly or in conjunction with other programs can help remove some of the complex decisions individuals feel sometimes overwhelmed with when it comes to how to get started in their retirement plan.”

Seidel also lauds the convenience and flexibility that online enrollment offers. “Online enrollment also allows someone the ability to go through the process any time; and they are probably more likely to go through the entire process to get signed up, as opposed to leaving a meeting with a form, taking it home then having to remember to fill it in and return it.”

Online enrollment also can improve participants’ access to resources and guidance, which has greatly improved not only the form, but the flow (and accuracy) of the information requested as well.

Then there are the increased technological options online enrollment offers. A number of providers have effectively deployed the use of various devices, including iPads, to let participants enroll online

during the enrollment meeting.

And with online enrollment, participants can access in-depth information that they might not use otherwise. Says Yingling, “Through online enrollment, the participant obtains immediate exposure to many investor education resources that he or she may not look into on his or her own. The information available to them on the trustee website is much more informative and objective, and every participant has access to the same information. In addition, they can always call [our plan sponsor’s]

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800 number to obtain advice from a human being if they are still uncertain.”

ONLINE AND AUTOMATIC

Not exactly online enrollment’s twin but certainly its cousin, automatic enrollment is also changing the face — and pace — of adding participants. Do the two complement each other?

Online enrollment can help mitigate reluctance to using automatic enrollment. These days plan sponsors are more inclined to think of automatic enrollment as the best mechanism for increasing participation. But not every employer is ready to embrace auto enrollment. Industry surveys suggest that most who have done so, don’t do so

for all employees, just new hires. Consequently, approaches like online enrollment can play a vital role in helping eligible employees become plan participants.

“We think these work well together,” Seidel notes. “By having both, you give people an option but you make it easier to make the right decision.” At Apple FCU, Yingling says, online enrollment began to increase further when they added automatic enrollment: “Auto enrollment increased the percentage of newly eligible employees that enrolled in the past 12 months from 61% in 2012 to 91% in 2013, and we have a 97% participation rate in auto enrollment.”

At Apple FCU, “New hires may enroll with Fidelity before they become eligible and are encouraged to do so during their new hire orientation, when they are first informed about the 401(k) plan benefits,” Yingling explains. HR submits their personal information to Fidelity by the beginning of the month following their employment, and new hires can sign up for participation any time after that. Then when they become eligible, their account is already set up with their designated investment elections. “If they choose not to enroll before they become eligible, the auto enrollment begins, and their investment will default to the target date fund,” Yingling explains.

IS IT ALL WORTH IT?

One may look to the old acronym KISS (“keep it simple, stupid”) as a good explanation for why online enrollment is growing. “Enhancements to a more streamlined online enrollment process are a great tool to make the process much simpler,” Seidel points out. “We think if you can make the enrollment process online easy and fast, more individuals are likely to enroll.”

But online enrollment doesn’t just have advantages for plan participants — it has something to offer plan

KEEP IT SIMPLE



administrators and employers as well. Yingling notes: “Paper enrollment has more steps and is less efficient. HR must send a form to newly eligible participants or participants who wish to enroll, collect it, and send it in to the trustee, which can create a delay.” Not only that, it also can enhance an employer’s ability to maintain records and use that information. “With online enrollment, all participant activity can be tracked via the plan sponsor (employer) web portal, through which we also submit contributions, generate reports, etc.”

Online enrollment can be most effective if it is applied in a way that meets the needs of each individual client. However, it may not be ideal for every employer. For instance, it will not be helpful for employers whose workforces do not have computer access, such as those who work in factories or in the field.

Seidel views it as part of an overall strategy. “We see online enrollment as being effective generally but as more of a complete package geared towards helping participants make good decisions. We don’t think simply having online enrollment alone is enough to create a healthy and successful retirement plan.”

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THE CRYSTAL BALL

So what’s next? First, look for further refinement in how it’s used. For one thing, online enrollment needs to be continually monitored to make sure it’s working as intended

Yingling believes that it can be coupled with other means, such as multi-faceted communications, to maximize their effectiveness. And Seidel says his firm is “expecting the software and platform to provide an online enrollment experience for different scenarios.”

And there is an even broader aspect to the continued development of online enrollment: changing the conception of what online enrollment is. Helping employees get started saving is a key focus of online enrollment, so helping them do a better job of saving would be a logical extension.

Thus, the concept behind online enrollment may well expand, and some day may be viewed more in the context of online *engagement* of participants.

Examples of this kind of expansion include alerts about increasing deferral rates, reminders about the convenience of default investment options (targeted to those who don’t currently use those options, or who perhaps haven’t rebalanced in a while) and perhaps even some kind of ‘rewards’ points for good plan behaviors.

Seidel expects more broad adoption of online enrollment, especially from smaller plans that may have been more reluctant in the past. Why? Yingling sums it up: “I would expect it to become more widespread because of its efficiency, simplicity, and attractiveness from a participant and employer perspective.” **PC**