**2023 Advisory Council on Employee Welfare and Pension Benefit Plans**

# Recordkeeping in the Electronic Age

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July 17, 2023

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# Executive Summary

Recordkeeping for both Single & Multi-Employer Plans

- Implications of Shifting to Electronic Recordkeeping

- Advantages/Disadvantages of Electronic Recordkeeping

- Potential Challenges in Shifting to the Digital World

- Record Retention Policies in the Digital World

- Recent Trends and Artificial Intelligence

- Transfer of Records

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# Implications of Shifting to Electronic Recordkeeping

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# Today's Traditional Fund Office

Historical Paper Records

File Cabinets and Offsite Storage

Hybrid recordkeeping for more recent years

Lack of Organization



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# Historical Paper Records

- Most Benefit Plan offices still maintain a significant amount of their historical records in paper format either stored onsite in file cabinets or at offsite storage facilities
  - Pension Records
    - Applications
    - Benefit Elections
    - Beneficiary Cards
  - Welfare Records
    - Enrollment Records
    - Claims and Appeals
    - COBRA
  - Plan Level
    - Plan Documents and Summary Plan Descriptions
    - Communications and Disclosures
    - Record Retention Policies

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# Hybrid Fund Office

## Paper Records

- Major task to convert historical records into electronic copies

- Time Consuming

- Expensive

- Disorganized records

- Poorly kept records are very difficult to scan

## Electronic Records

- Many Benefit Plan offices have taken the approach of shifting to electronic records by starting with current records

- Use of computerized remittance systems

- Document Management Systems

# Implementation Strategies

- Conduct an analysis of the Benefit Plan office requirements prior to implementing an electronic recordkeeping system
  - Required Record Retention
  - Existing process for storing records
  - Staffing and timeline
  - Internal conversion vs external conversion
  - Budget

- Data Migration
  - Converting existing paper records into electronic format
  - Naming and indexing new records
  - Integration with benefit software

- Data Security & Staff Training
  - Protecting the new electronic records → Encryption, multi-factor authentication, access controls
  - Adherence to Department of Labor Cybersecurity Program Best Practices
  - Staff Training → Training Sessions, IT Support, Communication

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# Advantages/Disadvantages of Electronic Recordkeeping

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# Key Advantages
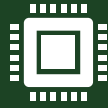
Improved Accessibility → Allows staff to access the records right from their desk and use a computer to perform the search for them.

Efficient Searches → Records can be labeled, categorized, and stored in indexed folders to streamline searches.

Cost Savings → Over time transitioning to electronic recordkeeping can result in significant cost savings.
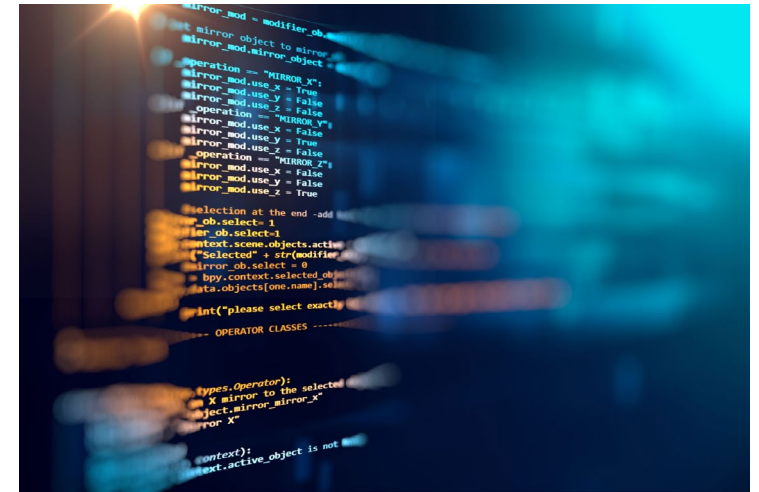
Data Security → Electronic recordkeeping provides additional data security in the form of encrypted records, access controls, lost or damaged records.

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# Disaster Recovery and Business Continuity

Electronic records offer better disaster recovery; they help prevent loss due to fire or floods.
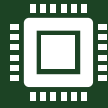
Helps prevent damage due to poor storage or time

# Compliance & Efficiencies

- Regulatory Compliance → Record Retention Compliance, DOL Audits, IRS Audits.

- Efficiencies → Maximize use of your office space and create an organized and efficient Benefit Plan office.

- Efficient Financial Audits, Payroll Audits

- Eco-Friendly

# Key Disadvantages

**Infrastructure→** Electronic recordkeeping requires servers, computers, software, and IT infrastructure

**Data Preservation →** Data corruption, incompatible technology and file formats, technology upgrades

**Initial Cost →** Implementing an electronic recordkeeping system can be costly; especially converting paper-based records to electronic formats

**Data Security →** Electronic recordkeeping opens the door to potential security risks → Data Breaches, Cyber Attacks & Unauthorized Access

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# Potential Challenges in Shifting to the Digital World

## Potential Challenges

Staff Training → Transitioning to an electronic recordkeeping system requires training employees and collaborating on the new procedures

New Procedures → Staff can be resistant to changing their routine

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# Staff Training Challenges

- Technological Skill Level → Benefit Plan offices staff can have varying skill levels when it comes to technology.

- Time → Training typically takes place during the workday.  It is often difficult to schedule training time and operating the office.

- Resources → Often switching to an electronic recordkeeping system will lack documentation such as user manuals and training guides.

- Lead By Example→ The Fund Administrator should lead by example. By using the new systems, following up with staff, and making sure the implementation is going smoothly.

- Resistant to Change → If it is not broken don't fix it mentality.

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# New Procedures

Electronic Communications when available

Digital Forms

Scanning and Optical Character Recognition

File Naming Conventions

Indexing tools and folder structure

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# Record Retention Policies in the Digital World

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# Record Retention Policies

- Policy Requirements → Identify applicable laws, regulations and industry specific requirements regarding record retention for your applicable benefit plans.

- Retention Periods → Retention periods vary by record type; your policy should clearly break down each applicable record type and the retention period that it pertains to.

- Destruction of Records → Establish a procedure for the secure disposal of digital records at the end of their retention periods.

- Electronic Maintenance of Records→ The Benefit Plan should establish reasonable controls to ensure the integrity, accuracy, and reliability of the electronic records.

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## Other Policy Considerations

Document Version Control

Backup and Disaster Recovery

Audit Trails

Regular Reviews and Updates

# Recent Trends & Artificial Intelligence

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# Recent Trends

- Cloud-Based Solutions → The use of cloud-based record systems has provided flexibility to store and manage records electronically without the need to purchase onsite infrastructure

- Benefit System Integration & Automation → Syncing your recordkeeping system with your benefit system allows one stop shopping.

- Mobile Access → Many electronic recordkeeping solutions now offer applications for mobile devices. This allows users to securely access records through a variety of means.

- Analytics → Electronic records allow you to run analytics to determine trends, monitor compliance and reporting, and provide relevant data that enables the trustees to make informed decisions.

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# Artificial Intelligence

- Virtual Assistants → Ability to handle routine participant inquiries, such as frequently asked questions, assistance with forms, and personalized answers

- Record Retention Automation →Provide analysis on electronic data and compare to retention policies to automate the process and ensure compliance

- Fraud Prevention → Allows the analysis of large volumes of data to detect anomalies that may be potentially fraudulent activities

# Artificial Intelligence

Document Classification and Naming → Automatically classify and name documents based off their content.

Constantly Learning → Provides the ability to improve over time based on new data, user interactions, and feedback.
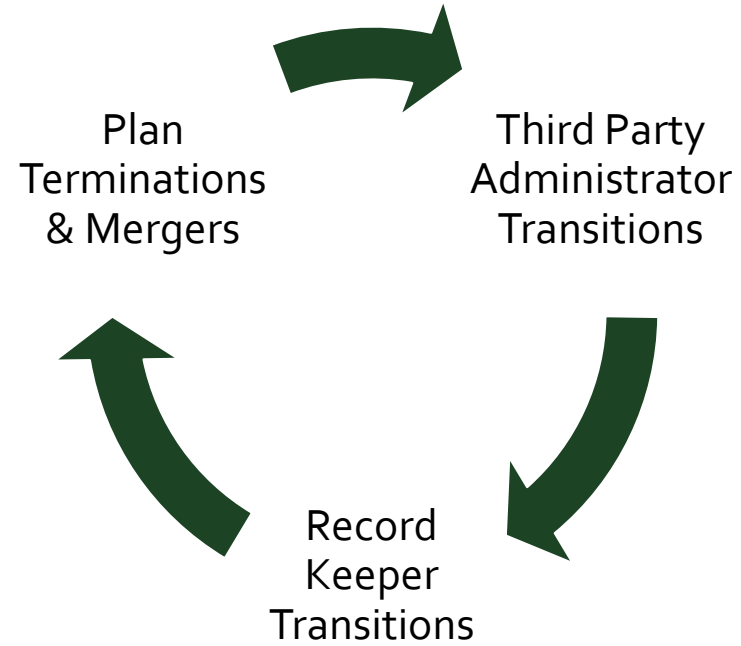
Safeguards → Artificial Intelligence is still evolving and being developed. It is important to ensure proper safeguards to protect participants privacy and data integrity.

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# Transfer of Records

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# Plan Level Transfers

Plan Terminations & Mergers

Third Party Administrator Transitions

Record Keeper Transitions

# Recordkeeper Transitions

Efficient Data Migration → Electronic recordkeeping can help simplify data migration from one vendor to another.

Secure Data Transfers → Use of Secure File Transfer Protocol to facilitate transitions. Allows for encrypted file transfers from the prior vendor.

Continuity → Providing immediate access to electronic data allows the transition process to move forward with limited disruption to participant services or benefit plan operations.

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# Third Party Administrator Transitions

- Enhanced Search & Retrieval → Allows the new TPA to quickly search records to ensure a seamless transition for participant services

- Historical Retention → Having historical records in electronic format ensures that they are not lost during transitions

- Reduction of Physical Transfers → Significantly reduces the need to physically transport and organize large quantities of physical records

# Plan Terminations & Mergers

**Data Integrity** → ensures accuracy of participant data, including participants in pay status, and terminated vested participants

**Data Integration** → Streamlines the integration of data from two benefit systems into one

**Collaborative Workflows** → Allows the two Plans to work together to ensure a smooth transition during the merge

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# Electronic Transfers to Plan Vendors

- Financial Auditors → Allows you to quickly pull requested audit evidence and documentation to provide to your financial auditors. This can reduce the overall time of the audit and potentially lead to reduced audit costs.

- Consultants → Ability to download and access reports in order to perform required calculations, analysis, and reporting.

- Actuaries → Provide real-time data on pensioners, terminated vested, and active participants.

- Payroll Compliance Audits → The ability to provide complete work history in electronic format streamlines compliance audits.

# Thank You!

For the opportunity to
be a part of the process

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