April 30, 2018

The Honorable Preston Rutledge
Assistant Secretary
US Department of Labor
Employee Benefits Security Administration
200 Constitution Avenue N.W.
Washington, DC 20210

Dear Mr. Rutledge:

The Investment Company Institute¹ and the American Retirement Association² are pleased to submit for your consideration a 2018 update to the 2011 study, “Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery.”

The 2011 study, led by Professor Peter Swire, concluded that shifting the default method of delivering defined contribution (DC) participant plan disclosures to electronic delivery, rather than relying on outmoded paper delivery systems, would produce significant improvements in the efficiency and effectiveness of disclosure. In this update, Professor Swire and co-author DeBrae Kennedy-Mayo find that the evidence in support of a shift in the default method has grown even more compelling and urgent.³ The update concludes that electronic delivery of notices, including DC plan notices, will reduce costs, provide greater access, and improve the quality of notices for Americans.

¹ The Investment Company Institute (ICI) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI’s members manage total assets of US$21.9 trillion in the United States, serving more than 100 million US shareholders, and US$7.5 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in London, Hong Kong, and Washington, DC.

² The American Retirement Association is a national organization of more than 20,000 retirement plan and benefits professionals that serves as the educator, voice, and advocate for the employer-based retirement system. ARA members are administrators, actuaries, advisors, attorneys, accountants, and other financial services professionals who provide consulting and administrative services for qualified retirement plans.

³ Peter P. Swire is the Holder Chair of Law and Ethics at the Georgia Tech Scheller College of Business. He has appointments by courtesy with the College of Computing and School of Public Policy. He is Senior Fellow with the Future of Privacy Forum, a member of the National Academy of Sciences Forum on Cyber-Resiliency, and Senior Counsel with Alston & Bird, LLP. In 2015, the International Association of Privacy Professionals, among its over 20,000 members, awarded him its Privacy Leadership Award. His publications and other information are available at www.peterswire.net.
The Investment Company Institute and its members—who manage $8.8 trillion in mutual fund investments for retirement savers in DC plan accounts and IRAs—and the American Retirement Association and its members—more than 20,000 retirement plan professionals serving in a wide range of capacities in support of, and sponsoring, workplace retirement plans—urge the Department to modernize its existing delivery rules to put to use the dramatic and advantageous evolution in technology, and its expanding availability over the past decade, to benefit plan participants.

Allowing plans to make electronic delivery the default method for communicating with participants (while still allowing participants to opt for paper) will:

- enhance the effectiveness of ERISA communications, particularly to individuals with disabilities or for whom English is not the primary language;
- produce significant cost savings for 80 million retirement investors;
- maintain security of information; and
- reduce the environmental impact of tons of discarded paper every single year.

The updated study offers compelling and robust evidence to support such a shift, including:

- Internet usage has become virtually universal among most plan participants. As of 2016, 93 percent of households owning DC accounts have access to the internet, up from 86 percent in 2010.
- Households with DC plan accounts use the internet at high rates, even if they are members of demographic groups that overall are less inclined to use the internet. For example, 79 percent of DC account-owning households with income between $20,000 and $39,999 make use of the internet, compared with just 67 percent of all US households with income in that range. Among households age 65 or older, 76 percent of DC account holders use the internet, compared with just 56 percent of all households in that age group.
- In 2016, 88 percent of households owning DC accounts engaged in online banking, just one example of the high and increasing comfort with using the internet for such sensitive activities as financial transactions and medical communications.
- Plan participants who interact with their plan’s website tend to have higher contribution rates.
- Since 2011, the quality of assistive technology on the internet has progressed greatly for the visually impaired and others with disabilities.
- The quality of translation software also has improved greatly since 2011: free translation software is now available to translate more than 100 languages, accounting for more than 99 percent of the online population.

DeBrae Kennedy-Mayo coauthored the 2018 update. Ms. Kennedy-Mayo is a Research Faculty Member at the Georgia Institute of Technology, where she engages in research on legal and policy issues concerning privacy and cybersecurity. She has been an attorney for 15 years.
Electronic delivery is becoming the norm for the US government for delivery of notices. For example, the Social Security Administration, the Office of Personnel Management, and the federal Thrift Savings Plan often provide notices electronically.

Plans would experience significant cost savings by changing the default delivery method to electronic delivery—savings that would be shared with plan participants. With an average of six mailings per year, assuming a cost of $0.80 per notice to one participant, total printing and mailing costs for paper delivery could exceed $385 million a year in aggregate.

The 2011 study and 2018 update provide overwhelming evidence that the time has come to provide retirement plan sponsors the flexibility to establish electronic delivery as the default method for communicating participant statements and other plan information. Furthermore, expanding electronic delivery as the default method of participant communications is consistent with Executive Order 13789, which directs federal agencies to simplify regulations and reduce regulatory compliance costs.

ICI, ARA, and their members look forward to working closely with you and your colleagues within the Employee Benefits Security Administration (EBSA) in developing appropriate and effective regulatory policies in this area. We would welcome the opportunity to meet you and to convey in person our strong interest in electronic delivery, as well as to review the 2018 update with you. Our offices will be in touch next week to request such a meeting. In the meantime, we would be happy to provide additional information on these issues or to discuss this matter with you or your staff.

Sincerely,

Paul Schott Stevens
President & CEO
Investment Company Institute

Brian H. Graff, Esq., APM
CEO
American Retirement Association

Attachment

cc: The Honorable Alexander Acosta, Secretary
    Jeanne Klinefelter Wilson, Deputy Assistant Secretary for Policy, EBSA
    Timothy D. Hauser, Deputy Assistant Secretary for Program Operations, EBSA
    Joe Canary, Director of Office of Regulations and Interpretations, EBSA
    US Department of Labor
2018 UPDATE TO
Delivering ERISA Disclosure for Defined Contribution Plans
WHY THE TIME HAS COME TO PREFER ELECTRONIC DELIVERY

Peter Swire & DeBrae Kennedy-Mayo
APRIL 2018
THE AUTHORS OF THIS 2018 UPDATE

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DEBRAE KENNEDY-MAYO is a Research Faculty Member at the Georgia Institute of Technology, where she engages in research on legal and policy issues concerning privacy and cybersecurity. Ms. Kennedy-Mayo has been an attorney for 15 years.

This 2018 update was prepared with support from the American Retirement Association and the Investment Company Institute. All the views expressed here are those of the authors.
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Supplementary Statistics for 2018 Update to Delivering ERISA Disclosure for Defined Contribution Plans

1. Supplementary Statistics Concerning Internet Usage as It Relates to Defined Contribution (DC) Plan Account Holders

   a. Internet usage, which is high across all U.S. households, is even higher among households with DC plan accounts.
   b. While internet usage varies across all U.S. households, the gap between “lower-access” groups and “higher-access” groups has narrowed over time.
   c. A vast majority of households owning DC plan accounts use the internet, regardless of age, education, or income.
   d. Households with DC accounts hail from all age, education, and income groups, but they are less likely to be very old, very low education, or very low income compared with all U.S. households.
   e. Internet usage for households owning DC accounts who fall within “lower-access” populations is still widespread.
   f. Even within “lower-access” groups, internet usage is significantly higher among households owning DC accounts than among the general population.
   g. Comparison of 2010 and 2016 statistics for “lower-access” populations highlights significant increases since the time of the prior study.

2. Supplementary Information on Defined Contribution (DC) Plan Disclosures, Average Costs of Paper Delivery, and Average Contribution Rates for Participants Who Interact with the Plan Website

   a. Information on DC plan disclosures reveals numerous documents are required to be sent to participants.
   b. Costs for paper delivery could exceed $385 million.
   c. Average contribution rates for participants who interact with the plan website are higher than for participants who do not interact with the plan website.
2018 UPDATE TO
Delivering ERISA Disclosure for Defined Contribution Plans
WHY THE TIME HAS COME TO PREFER ELECTRONIC DELIVERY

Peter Swire & DeBrae Kennedy-Mayo

Executive Summary

This document provides a 2018 update to the 2011 study on “Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery.” By 2011, there were compelling reasons to shift the default method to electronic delivery for holders of defined contribution (DC) plan accounts, rather than rely on outmoded paper delivery systems. This 2018 update concludes that the reasons to shift to electronic delivery have become even stronger during the intervening seven years.

This update makes three main points:

1. Paper delivery costs significantly more than electronic delivery, and the government norm in other settings has become electronic delivery.
   a. The incremental cost of paper delivery is higher than electronic delivery. A recent survey of DC plan recordkeepers finds that the average cost for printing and mailing a single notice of four pages to one person is roughly $0.80, which if mailed, just once, to all 80.3 million 401(k) plan participants would add up to more than $64 million. With an average of a minimum of six mailings per year, total printing and mailing costs could exceed $385 million.

   b. The federal government recognizes the substantial cost savings from electronic delivery. For instance, the Centers for Medicare and Medicaid Services (CMS) wrote in 2015 that the reason to shift to electronic delivery for Electronic Medicare Summary Notices (eMSNs) was that “CMS will realize significant costs savings for each beneficiary that decides to receive an eMSN instead of an MSN.”

   c. The norm for the U.S. government has become to rely on electronic rather than paper delivery for notices. For example, agencies including the Social Security Administration, the Office of Personnel Management, and the federal Thrift Savings Plan often provide notices electronically.
2. For tens of millions of people, access is better with electronic rather than paper delivery.

   a. Electronic delivery provides improved access for the visually impaired and others with disabilities. Electronic delivery provides improved access for the over 20 million Americans who experience vision loss, as well as the many others who read better online, or have other disabilities. Since 2011, the quality of assistive technology has progressed greatly.

   b. Improved translation software increases access. About 25 million Americans speak best in a language other than English. Free translation software applies today for over 99 percent of the online population, and the quality of translation has improved greatly since 2011.

   c. Benefits of electronic delivery include the potential to lead to increased saving and investing. The interactivity of electronic delivery—whether just-in-time notices, layered notices, or online calculators—facilitates participant action and engagement. A recent survey of DC plan recordkeepers finds that 401(k) participants who interact with their plan’s website tend to have higher contribution rates, and a similar result was found in the 2011 study as well.

3. The internet has become a pervasive technology, similar to the telephone, so concern about lack of access to the internet is not a sound basis for preferring paper delivery.

   a. Working U.S. households’ internet access is similar in pervasiveness to the telephone. By 2017, 91.1 percent of working U.S. households had access to the internet, similar to the pervasiveness of the telephone. For households owning DC plan accounts, 93 percent used the internet in 2016.

   b. DC plan account holders use the internet at high rates, even if they are members of demographic groups that overall have lower access to the internet (“lower-access groups”).

       • 82 percent of households owning DC accounts with household income under $20,000 use the internet, compared with 57 percent of all U.S. households with household income under $20,000.

       • 79 percent of households owning DC accounts with household income between $20,000 and $39,999 use the internet, compared with 67 percent of all U.S. households with household income between $20,000 and $39,999.

       • 76 percent of households without a high school diploma who are DC plan account holders use the internet, compared with 48 percent of all U.S. households without a high school diploma.

       • 76 percent of households age 65 or older who are DC plan account holders use the internet, compared with 56 percent of all U.S. households who are 65 or older.

   c. Households owning DC accounts also overwhelmingly use the internet for sensitive financial transactions. In 2016, 88 percent of households owning DC accounts engaged in online banking, just one example of the high and increasing comfort with using the internet for financial, medical, and other sensitive activities.
The 2011 study made numerous other points that showed advantages of electronic over paper delivery. Significant advantages included (and continue to include):

1. Electronic notices enable **access anytime, anywhere**, with the device of the user’s choosing, and with a better filing system than paper notices.

2. The **quality of notice** is better online, with interactivity and just-in-time notices.

3. Electronic delivery provides a range of **improved functions** compared with paper notice, such as online calculators and integration with a user’s other financial accounts. It also advances program goals, such as increased savings by participants.

4. There are important **cybersecurity advantages** compared to risks from paper notices.

In conclusion, the more recent data included in this 2018 update reaffirm that the 2011 findings hold true today about advantages of electronic over paper delivery for notices about DC plans. Electronic **delivery of notices, including DC plan notices, will reduce costs, provide greater access, and improve the quality of notices for Americans.**

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**The 2011 Study**

The 2011 study examined the issue of whether to change the U.S. Department of Labor (DOL) regulations governing the choice between paper and electronic delivery of required information and notices to participants under the Employee Retirement Income Security Act of 1974 (ERISA), including in connection with DC plans, such as 401(k) plans.

2018 UPDATE TO
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This document provides a 2018 update to the 2011 study on “Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery.” By 2011, there were compelling reasons to shift the default method to electronic delivery for holders of defined contribution (DC) plan accounts, rather than rely on outmoded paper delivery systems. This 2018 update concludes that the reasons to shift to electronic delivery have become even stronger during the intervening seven years.

Part 1 of this update discusses how paper delivery costs significantly more than electronic delivery, and the government norm in other settings has become electronic delivery. Part 2 discusses how, for tens of millions of people, access is better with electronic rather than paper delivery. Part 3 explains that the internet has become a pervasive technology, similar to the telephone, so concern over lack of access to the internet is not a sound basis for preferring paper delivery.

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1 The 2011 study examined the issue of whether to change the U.S. Department of Labor (DOL) regulations governing the choice between paper and electronic delivery of required information and notices to participants under the Employee Retirement Income Security Act of 1974 (ERISA), including in connection with DC plans, such as 401(k) plans. See Peter Swire and Kenesa Ahmad, “Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery,” available at https://ssrn.com/abstract=1960669.
PART 1:

Paper delivery costs significantly more than electronic delivery, and the government norm in other settings has become electronic delivery.

**a. The incremental cost of paper delivery is higher than electronic delivery.** Paper delivery requires, for each person, expenditures including paper, printing, envelopes, and postage, in contrast to a near-zero marginal cost of electronic delivery. A recent survey of DC plan recordkeepers finds the average cost for printing and mailing a single notice of four pages to one person is roughly $0.80, which if mailed, just once, to all 80.3 million 401(k) plan participants would add up to more than $64 million. With an average of a minimum of six mailings per year, total printing and mailing costs could exceed $385 million. By contrast, the cost of electronic notice to one additional person is much lower. Once the notice is drafted, the incremental cost of email to one person is essentially zero. As discussed in the 2011 study, there are also environmental benefits to electronic delivery such as avoiding the destruction of trees and reducing burden on landfills.

**b. The federal government recognizes the substantial cost savings from electronic delivery.** In 2015, for instance, the Centers for Medicare and Medicaid Services (CMS) required notices to be sent to all Medicare recipients about its Electronic Medicare Summary Notices (eMSNs). CMS indicated it wished “to promote this new eMSN program to beneficiaries.” The reason given for the shift was cost: “CMS will realize significant costs savings for each beneficiary that decides to receive an eMSN instead of an MSN.” This Medicare change is an example of where the government has shifted to electronic delivery.

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2 The Investment Company Institute conducted the survey in the winter of 2017/2018 to gather information on printing and mailing costs from a cross-section of DC plan recordkeepers. Survey respondents provided recordkeeping services for more than 40 million 401(k) plan participant accounts in 2017. Responses were weighted by the number of participant accounts.

3 Based on Department of Labor summary statistics on 401(k) plans for plan year 2015, the total number of participants—including active participants and those who have separated from employment but still have accounts in the plan—was 80.3 million in plan year 2015. See U.S. Department of Labor, Employee Benefits Security Administration, *Private Pension Plan Bulletin: Abstract of 2015 Form 5500 Annual Reports* (February 2018; Version 1.0) available at https://www.dol.gov/sites/default/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2015.pdf.

4 This assumes four quarterly statements and two regulatory notices, but it is common for plans to send four quarterly statements and four regulatory notices, which would increase printing and mailing costs to more than $500 million in a year. This estimate falls within the range previously estimated for the SPARK Institute. A report prepared for the SPARK Institute in 2015 found annual savings for shifting to electronic delivery for retirement plan notices of $300 million to $750 million per year. See “Improving Outcomes with Electronic Delivery of Retirement Plan Documents,” available at www.sparkinstitute.org/content-files/improving_outcomes_with_electronic_delivery_of_retirement_plan_documents.pdf.

delivery when the government incurs the cost. The same efficiency logic applies to shift to electronic delivery when the cost falls on private-sector actors such as DC plans.

c. The norm for the U.S. government has become to rely on electronic rather than paper delivery for notices. For example, agencies including the Social Security Administration, the Office of Personnel Management, and the federal Thrift Savings Plan (TSP) often provide notices electronically. The Social Security Administration delivers its beneficiary statements electronically. The federal TSP uses paperless delivery by default for its quarterly statements, unless an individual requests mail delivery. The Office of Personnel Management provides health benefits brochures electronically, except where an individual specifically requests paper delivery.

Because electronic delivery costs so much less than paper notice, the onus should be on those supporting paper notice. As discussed throughout the 2011 study and this update, electronic delivery has many advantages (besides cost savings) compared with paper delivery, including better quality and better access to notice for millions of people. So long as there is a choice to receive mail (paper) delivery for those who prefer it, there is a compelling case going forward for using electronic delivery by default.

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PART 2:

For Tens of Millions of People, Access Is Better with Electronic Rather Than Paper Delivery.

In connection with the 2011 discussions of whether to shift to electronic delivery, the principle argument made in favor of paper delivery was better access for some users, especially those who lack access to the internet. For tens of millions of Americans, however, access is better for electronic delivery than for paper delivery. Since the 2011 study, technology has notably improved access in two domains. First, electronic delivery has continued to improve access for the visually impaired and others with disabilities. Second, dramatic advances in translation software have improved access for those who prefer to use a language other than English. Third, electronic delivery can engage participants with their 401(k) plans and lead to increased saving and investing.

a. Electronic delivery provides improved access for the visually impaired and others with disabilities.

Electronic disclosure enables better access than paper notice for the large population of participants with disabilities, and the quality of online access has improved greatly since 2011. According to the report for the 2015 National Health Interview Survey, 23.7 million American adults age 18 and older reported experiencing vision loss. The term “vision loss” refers to individuals who experience difficulty seeing, even when wearing glasses or contact lenses and individuals who are blind or unable to see at all.

Electronic notices allow all users to set font size to their preference, and new research shows, for readers generally, that “readability, measured via mean fixation duration, increased significantly with font size.” For elderly and those with modest vision impairment, the ability to read online, with larger text and brighter light, is often crucial to effective reading. For those with color blindness, participants can use high contrast fonts or colors. The advantages of electronic disclosure are not limited only to individuals with visual impairments. For example, individuals who do not have use of their hands may use speech recognition software to navigate a website.

As with computing technology generally, there has been great progress since 2011 in the quality of assistive technology. In 2011, the chairman of the Royal National Institute for Blind People promised to make a refreshable braille display at a fraction of the then-exorbitant cost and with a higher refresh rate. By 2016, that promise was fulfilled. In 2017, Apple published a list of 117 iOS apps developed to

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help the visually-impaired perform everyday tasks (e.g., navigation, cooking, reading). Virtually all were developed after 2011. Recent mobile apps for the visually-impaired have substantially improved in cost and effectiveness, “even in cases where computational requirements are significant.”

b. Improved translation software increases access. Translation software has progressed considerably since 2011. This software, available for free online, dramatically improves the availability and quality of notice to the millions of Americans for whom English is not the first language. The number of such Americans is high today. As of 2016, about 42 million, or 14.0 percent of the total U.S. population, were foreign-born, and nearly 21 million of them reported that they spoke English less than “very well.” Foreign-born residents comprised most of the increase in the prime 25–54 working age population in the past decade, with those persons being in prime years for opening DC plan accounts. In addition, nearly 5 million persons born in the United States are most comfortable with a language other in English.

For these 25 million Americans, the coverage and quality of translation software has improved greatly since 2011. The number of languages translated by the free Google service, as one example, roughly doubled from 2011 to 2016. That service translates over 100 languages today, for languages accounting for over 99 percent of the online population. In terms of quality of translation, the progress has similarly been rapid since 2011. In 2016, Google announced its new Neural Machine Translation system, which reduces errors by an estimate of 60 percent.

In short, the continued progress in translation software means that electronic delivery provides free access, in the preferred language, to tens of millions of Americans. By contrast, paper delivery does not provide simple access to translation software.

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19 All Things Considered, “Google Announces Improvements to Translation System” (October 3, 2016), available at https://www.npr.org/2016/10/03/496442106/google-announces-improvements-to-translation-system.
c. Benefits of electronic delivery include the potential to lead to increased saving and investing. The interactivity of electronic delivery helps achieve public policy goals for DC plans of increasing retirement savings and enabling participants to manage their accounts. Common examples of benefits are just-in-time notices, layered notices, and online calculators. In addition, DC plan recordkeepers indicate that participants who engage with their plan’s website tend to have higher contribution rates.

In the retirement plan context, electronic delivery works better than paper for just-in-time notice, notably for increasing a participant’s contributions, changing the mix of investments, or making other modifications to the participant’s account. With a paper notice, an individual must read the notice and then shift to another channel, such as filling in a form and handing it to HR, making a telephone call or visiting a website, to make any change. By contrast, electronic notice allows the participant to click immediately for more information or to take an action. For instance, participants who are falling behind in their investment goals can increase their savings rate as soon as they see their quarterly benefit statement report. If a blackout period is coming, the participant can make any desired changes before the blackout period starts.

Layered notices work better for electronic than for paper disclosures. In a paper system, there can be a top page that gives the summary. Then a consumer who wishes to dig deeper has to flip through the attached booklet or stack of other forms to find the relevant other pieces. By contrast, electronic disclosures may use hyperlinks—the user simply clicks on a link when interested in learning more or taking an action, and then can click back to the summary when that is complete. Layered notices thus work better electronically on the two key dimensions of better comprehension for the user and greater ability for the user to take action.

As early as 2010, findings suggested that participants’ being online where they could use online calculators had the potential to increase investment by these individuals. According to Edmund Murphy of Putnam Investments, Putnam’s analysis of aggregate behavior of participants who used the tool on their own on the Putnam website in July and August 2010 shows that about one-third

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20 A “just-in-time” approach uses notices to provide information at the moment in time when it is actionable, for example, when a participant is called upon to make a decision about benefits.

21 The “layered” notice is the logical response to the competing demands for detail and clarity. The top layer of notice is brief and often presented in a visually accessible form such as the table used in the model financial privacy disclosure. Further levels of detail are available for employees, regulators, and the subset of consumers who wish to dig deeper into the longer disclosures.

22 Online sites for many plans have “calculators”—tools that let the participant see the different outcomes of different savings scenarios.
changed their deferral rate after using it. Of those, 80 percent elected to increase their salary deferral by an average of more than two full percentage points, from 6.1 percent before the site visit to 8.6 percent after. According to a 2011 survey by the Principal Financial Group, Principal plan participants who used the online tool saved an average of 39 percent more than participants that did not use the tool: “[t]he average deferral rate for a sample group of Milestones users is 2.5 percentage points higher (8.9 percent) than those who have not completed Milestones (6.4 percent).” Similarly, a recent survey of DC plan recordkeepers finds that 401(k) participants who interact with their plan’s website tend to have higher contribution rates.

Putnam’s Lifetime Income Analysis ToolSM highlights a participant’s potential monthly retirement income needs compared with monthly income if he or she keeps saving at current levels. See Edmund Murphy, Putnam Investments, Testimony on Lifetime Income Issues, Joint Hearing before the U.S. Department of Labor, Employee Benefits Security Administration (EBSA) and the U.S. Treasury Department, Internal Revenue Service (IRS) (September 14, 2010), available at https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB33/writtentestimony26.pdf.

The Principal Financial Group provides plan participants with My Principal Edge Milestones, an online interactive tool that uses certain participant information to identify areas of underperformance and provides a personalized guide to help participants meet their retirement goals. See “The Principal: 401(k) Participants Using Online Tool Defer 39% More,” Business Wire (February 28, 2011), available at https://www.businesswire.com/news/home/20110228006869/en/Principal-401-Participants-Online-Tool-Defer-39.

The Investment Company Institute conducted the survey in the winter of 2017/2018 to gather information on printing and mailing costs from a cross-section of DC plan recordkeepers. A subset of respondents also were able to provide participant deferral rates among 401(k) plan participants who had interacted with the plan website compared with those participants who had not interacted with the plan website. Responses were weighted by number of participant accounts. The average participant contribution rate among participants not interacting with the plan website was 5.8 percent of salary, compared with an average 7.8 percent contribution rate among participants who had interacted with their plan website.
PART 3:

The Internet Has Become a Pervasive Technology, Similar to the Telephone, So Concern About Lack of Access to the Internet Is Not a Sound Basis for Preferring Paper Delivery.

Concern about lack of internet access has likely been the biggest objection raised to wider use of electronic notices. Today, the evidence is overwhelming that a large majority of all households has access to the internet, and the access of households with DC accounts is even higher.

a. Working U.S. households’ internet access is similar in pervasiveness to the telephone. The 2011 study documented the diffusion of the internet into society, similar to previous technologies such as radio, television, and the telephone. From 1980 to 2009, the percent of households that had a telephone varied between 92.9 and 95.7 percent. More recently, from January to June 2017, 96.3 percent of U.S. households have access to some type of phone (only 3.7 percent had no telephone service). A survey in mid-2017 found that 91.1 percent of working U.S. households already had access to the internet, showing a similarly pervasive diffusion of internet access. By 2016, the diffusion of the internet has become even more complete, notably for households owning DC plan accounts. In 2013, 89 percent of households owning DC accounts used the internet, rising to 93 percent in 2016.

b. DC plan account holders use the internet at high rates, even if they are members of demographic groups that overall have lower access to the internet (“lower-access groups”). Fifty-seven percent of U.S. households with household income under $20,000 use the internet while 82 percent of households owning DC accounts with household income under $20,000 use the internet. Sixty-seven percent of U.S. households with household income between $20,000 and $39,999 use the internet compared with 79 percent of households owning DC accounts with household income between $20,000 to $39,999. Forty-eight percent of U.S. households without a high school diploma use

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the internet, while 76 percent of households without a high school diploma who are DC account holders use the internet. Fifty-six percent of U.S. households who are 65 or older use the internet, compared with 76 percent of households age 65 or older who are DC account holders.  

**c. Households owning DC accounts also overwhelmingly use the internet for sensitive financial transactions.** In 2016, 88 percent of households owning DC accounts engaged in online banking, up from 83 percent in 2013. This pervasive and voluntary use of online banking, among the relevant population of DC plan holders, is significant. It shows the reliance of users on the internet for transaction accounts where there is a risk that a fraudster may actually withdraw money. By contrast, the discussion about electronic notice involves less risky activities. Electronic notice provides information about an individual’s account, but does not provide the ability to actually take money from that account.

The widespread use of online banking among DC account holders, is just one example of Americans’ high and increasing comfort with using the internet for financial, medical, and other sensitive activities. Since 2011, Americans, generally, have increased comfort with these kinds of activities on the internet, researching financial and health issues, and increasingly engaging in online banking activities. For instance, about half of adults engaged in mobile banking deposited checks through their mobile phones.

The shift to electronic delivery is overdue for notices to DC account holders, given their widespread access to the internet and demonstrated comfort with conducting financial transactions online.

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30 Investment Company Institute tabulations of the 2016 Federal Reserve Board Survey of Consumer Finances. Lower-access groups make up a small percentage of the DC plan account holders. Only 2 percent of households with DC plan accounts have household income under $20,000, and 11 percent have household income between $20,000 to $39,999. Only 5 percent of DC plan account–owning households lack a high school diploma. Only 10 percent of DC plan account–owning households are 65 or older.


32 A Pew Research Center survey conducted in 2013 found that 59 percent of adults searched online for health information. See “Majority of Adults Look Online for Health Information,” available at www.pewresearch.org/fact-tank/2013/02/01/majority-of-adults-look-online-for-health-information/.

CONCLUSION

The 2011 study made numerous other points that showed advantages of electronic over paper delivery. Significant advantages included (and continue to include):

1. Electronic notices enable **access anytime, anywhere**, with the device of the user’s choosing, and with a better filing system than paper notices.

2. The **quality of notice** is better online, with interactivity and just-in-time notices.

3. Electronic delivery provides a range of **improved functions** compared with paper notice, such as online calculators and integration with a user’s other financial accounts. It also advances program goals, such as increased savings by participants.

4. There are important **cybersecurity advantages** compared with risks from paper notices.

In short, the 2011 findings hold true today about advantages of electronic over paper delivery for notices about DC plans. **Electronic delivery of notices, including DC plan notices, will reduce costs, provide greater access, and improve the quality of notices for Americans.**
SUPPLEMENTARY STATISTICS FOR
2018 UPDATE TO
Delivering ERISA Disclosure for Defined Contribution Plans
WHY THE TIME HAS COME TO PREFER ELECTRONIC DELIVERY

Peter Swire & DeBrae Kennedy-Mayo

This supplement provides supporting statistics for the “2018 Update to Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery.” There are two parts to these supplementary statistics: (1) Supplementary Statistics Concerning Internet Usage as It Relates to Defined Contribution (DC) Plan Account Holders; and (2) Supplementary Information on Defined Contribution (DC) Plan Disclosures, Average Costs of Paper Delivery, and Average Contribution Rates for Participants Who Interact with the Plan Website.
1. Supplementary Statistics Concerning Internet Usage as It Relates to Defined Contribution (DC) Plan Account Holders

This supplement provides information relevant to DC plan account holders, contrasted with U.S. households more generally, across a variety of demographic characteristics. The supplement may be useful for providing context to discussion of the 2017 Data and Society report by Mary Madden on “Privacy, Security, and Digital Inequality.”34 The Madden report’s statistics highlight that some demographic groups have lower rates of internet usage, a result that also is found in analysis of the Federal Reserve Board’s Survey of Consumer Finances.

The main point of these statistics concerning internet usage is that it is the universe of DC plan account holders, rather than all U.S. households, that is relevant to the Department of Labor decision about electronic and paper notice. Although broadly some demographic groups use the internet at lower rates, the relevant population of DC plan account holders have essentially pervasive internet usage across all age, education, and income groups with DC accounts.

This supplement analyzes the Survey of Consumer Finances data on U.S. households and households with DC plan accounts across different age, education level, and income groups. The key takeaways are:

a. Internet usage, which is high across all U.S. households, is even higher among households with DC plan accounts.

b. While internet usage varies across all U.S. households, the gap between “lower-access” groups and “higher-access” groups has narrowed over time.

c. A vast majority of households owning DC plan accounts use the internet, regardless of age, education, or income.

d. Households with DC accounts hail from all age, education, and income groups, but they are less likely to be very old, very low education, or very low income compared with all U.S. households.

e. Internet usage for households owning DC accounts who fall within “lower-access” populations is still widespread.

f. Even within “lower-access” groups, internet usage is significantly higher among households owning DC accounts than among the general population.

g. Comparison of 2010 and 2016 statistics for “lower-access” populations highlights significant increases since the time of the prior study.

---

a. Internet usage, which is high across all U.S. households, is even higher among households with DC plan accounts. In 2016, 79 percent of U.S. households and 93 percent of households owning DC accounts used the internet (Table 1).\textsuperscript{35,36}

Use of the internet has risen over time, up from 67 percent in 2010 for all U.S. households, and up from 86 percent in 2010 among households owning DC accounts.

<table>
<thead>
<tr>
<th>TABLE 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DC-Owning Households Have High Rates of Internet Access</strong></td>
</tr>
<tr>
<td>Percentage of households owning DC accounts or all U.S. households</td>
</tr>
<tr>
<td><strong>USE THE INTERNET</strong></td>
</tr>
<tr>
<td>Households owning DC plan accounts</td>
</tr>
<tr>
<td>All U.S. households</td>
</tr>
</tbody>
</table>


\textsuperscript{35} The Federal Reserve Board’s triennial Survey of Consumer Finances (SCF) collects information about family incomes, net worth, balance sheet components, pensions, credit use and demographic characteristics. The majority of the data are collected between May and December of each survey year. In 2016, 6,254 families were interviewed for the survey. These families represented almost 126 million U.S. households in 2016. In 2016, nearly 36 percent of households in the SCF owned a DC retirement plan. In the SCF, DC plans can be owned by either the head of household or spouse, and can be 401(k) plans, 403(b) plans, profit sharing plans, supplemental retirement annuities, or the federal government’s Thrift Savings Plan (TSP). These plans can either be at current places of employment or accumulations held at previous jobs. Research reports, chart books, and underlying data for the SCF can be found at https://www.federalreserve.gov/econres/scfindex.htm.

b. While internet usage varies across all U.S. households, the gap between “lower-access” groups and “higher-access” groups has narrowed over time. Older, lower-education, and lower-income households tend to have lower internet usage rates, but their interaction with the internet has greatly increased over time, which has narrowed the access gap (Table 2). For example, in 2016, 56 percent of U.S. households age 65 or older used the internet, compared with 39 percent in 2010. Similarly, in 2016, 57 percent of U.S. households with income less than $20,000 used the internet, compared with 43 percent in 2010.

### TABLE 2
Internet Use Has Increased Across All Groups of U.S. Households
Percentage of U.S. households

<table>
<thead>
<tr>
<th>USE THE INTERNET</th>
<th>2010</th>
<th>2013</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age of head of household</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 35</td>
<td>80%</td>
<td>86%</td>
<td>92%</td>
</tr>
<tr>
<td>35 to 44</td>
<td>77%</td>
<td>83%</td>
<td>92%</td>
</tr>
<tr>
<td>45 to 54</td>
<td>75%</td>
<td>79%</td>
<td>86%</td>
</tr>
<tr>
<td>55 to 64</td>
<td>69%</td>
<td>72%</td>
<td>79%</td>
</tr>
<tr>
<td>65 or older</td>
<td>39%</td>
<td>47%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>Education level of head of household</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No high school diploma</td>
<td>28%</td>
<td>38%</td>
<td>48%</td>
</tr>
<tr>
<td>High school diploma/GED</td>
<td>56%</td>
<td>60%</td>
<td>71%</td>
</tr>
<tr>
<td>Some college or associates degree</td>
<td>77%</td>
<td>81%</td>
<td>84%</td>
</tr>
<tr>
<td>College or postgraduate degree</td>
<td>87%</td>
<td>90%</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Household income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $20,000</td>
<td>43%</td>
<td>45%</td>
<td>57%</td>
</tr>
<tr>
<td>$20,000 to $39,999</td>
<td>53%</td>
<td>61%</td>
<td>67%</td>
</tr>
<tr>
<td>$40,000 to $59,999</td>
<td>71%</td>
<td>77%</td>
<td>81%</td>
</tr>
<tr>
<td>$60,000 to $79,999</td>
<td>80%</td>
<td>83%</td>
<td>88%</td>
</tr>
<tr>
<td>$80,000 to $99,999</td>
<td>88%</td>
<td>88%</td>
<td>92%</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>92%</td>
<td>94%</td>
<td>95%</td>
</tr>
<tr>
<td>All U.S. households</td>
<td>67%</td>
<td>72%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Similar to the Survey of Consumer Finances, the Madden report also finds variation in internet use by income and education level among the general population of U.S. adults. According to that report, overall, 82 percent of U.S. adults used the internet (or email) in 2015, ranging from 64 percent of adults with household income less than $20,000 to 96 percent of adults with household income of $100,000 or more; and from 45 percent of adults with no high school degree to 96 percent of college graduates.37

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37 See “Internet use and smartphone ownership by income and generation,” in Madden, p. 39.
c. A vast majority of households owning DC plan accounts use the internet, regardless of age, education, or income. In 2016, 93 percent of households with DC plan accounts used the internet (Table 3), and their use of the internet was higher across all age, education, or income groups compared with the comparable groups across all U.S. households (Table 2). Internet usage rates range from more than three-quarters (76 percent) of DC-owning households age 65 or older to nearly all younger DC-owning households; from more than three-quarters (76 percent) of DC-owning households with less than a high school education to nearly all with college degrees or more education; and from about eight-in-ten DC-owning households earning less than $40,000 in household income to nearly all DC-owning households earning $60,000 or more (Table 3).

<table>
<thead>
<tr>
<th>TABLE 3</th>
<th>Internet Use Is High Across All Groups of DC Account–Owning Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of households with DC plan accounts</td>
<td></td>
</tr>
<tr>
<td>USE THE INTERNET</td>
<td>2010</td>
</tr>
<tr>
<td><strong>Age of head of household</strong></td>
<td></td>
</tr>
<tr>
<td>Younger than 35</td>
<td>92%</td>
</tr>
<tr>
<td>35 to 44</td>
<td>90%</td>
</tr>
<tr>
<td>45 to 54</td>
<td>85%</td>
</tr>
<tr>
<td>55 to 64</td>
<td>82%</td>
</tr>
<tr>
<td>65 or older</td>
<td>63%</td>
</tr>
<tr>
<td><strong>Education level of head of household</strong></td>
<td></td>
</tr>
<tr>
<td>No high school diploma</td>
<td>57%</td>
</tr>
<tr>
<td>High school diploma/GED</td>
<td>75%</td>
</tr>
<tr>
<td>Some college or associates degree</td>
<td>88%</td>
</tr>
<tr>
<td>College or postgraduate degree</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Household income</strong></td>
<td></td>
</tr>
<tr>
<td>Less than $20,000</td>
<td>56%</td>
</tr>
<tr>
<td>$20,000 to $39,999</td>
<td>70%</td>
</tr>
<tr>
<td>$40,000 to $59,999</td>
<td>81%</td>
</tr>
<tr>
<td>$60,000 to $79,999</td>
<td>86%</td>
</tr>
<tr>
<td>$80,000 to $99,999</td>
<td>91%</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>95%</td>
</tr>
<tr>
<td><strong>All U.S. households with DC plan accounts</strong></td>
<td>86%</td>
</tr>
</tbody>
</table>


The differences in usage of the internet among DC-owning households compared with all U.S. households were greatest in the oldest household group—76 percent of DC-owning households age 65 or older used the internet in 2016, compared with 56 percent of all U.S. households age 65 or older; in the lowest education level household group—in 2016, 76 percent of DC-owning households with less than a high school education used the internet, compared with 48 percent of all U.S. households with less than high school education; and the lowest income group—82 percent of DC-owning households with less than $20,000 in household income used the internet, compared with 57 percent of such lower income households over all. See Tables 2 and 3.
Households with DC accounts hail from all age, education, and income groups, but they are less likely to be very old, very low education, or very low income compared with all U.S. households. Households owning DC plan accounts, on average, have higher income and education than the full population. Eighty-seven percent of households owning DC plan accounts have income of at least $40,000 a year, compared with 62 percent of all U.S. households (Table 4). As to education, 95 percent of households with DC accounts have at least a high school education and 74 percent have at least some college or an associate’s degree. Forty-seven percent have a college or post-graduate degree. In addition, 90 percent of households owning DC accounts are under the age of 65 compared with 75 percent of all U.S. households (Table 4), and internet usage is greater for Americans under 65 (Tables 2 and 3).

TABLE 4
Households with DC Accounts Cover the Full Range of Age, Education, and Income Groups, But Are More Concentrated in “High-Access” Internet Groups

<table>
<thead>
<tr>
<th>DISTRIBUTION OF HOUSEHOLDS BY AGE, EDUCATION LEVEL, OR HOUSEHOLD INCOME</th>
<th>ALL U.S. HOUSEHOLDS</th>
<th>HOUSEHOLDS WITH DC ACCOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of head of household</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 35</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>35 to 44</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>45 to 54</td>
<td>18%</td>
<td>25%</td>
</tr>
<tr>
<td>55 to 64</td>
<td>19%</td>
<td>22%</td>
</tr>
<tr>
<td>65 or older</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Education level of head of household</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No high school diploma</td>
<td>13%</td>
<td>5%</td>
</tr>
<tr>
<td>High school diploma/GED</td>
<td>26%</td>
<td>21%</td>
</tr>
<tr>
<td>Some college or associates degree</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>College or postgraduate degree</td>
<td>34%</td>
<td>47%</td>
</tr>
<tr>
<td>Household income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $20,000</td>
<td>16%</td>
<td>2%</td>
</tr>
<tr>
<td>$20,000 to $39,999</td>
<td>22%</td>
<td>11%</td>
</tr>
<tr>
<td>$40,000 to $59,999</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>$60,000 to $79,999</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>$80,000 to $99,999</td>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>24%</td>
<td>42%</td>
</tr>
<tr>
<td>All U.S. households</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

e. Internet usage for households owning DC accounts who fall within “lower-access” populations is still widespread. Only a relatively small percentage of households owning DC plan accounts fall into demographic categories that have lower internet usage (Table 4). Additional analysis reveals that these households use the internet at high rates, even if they are members of demographic groups that overall have lower usage of the internet (“lower-access” groups) (Table 5).

Because “lower-access” groups make up a small percentage of the DC plan account households, general statistics about “lower-access” groups do not reflect the households that actually have DC plan accounts. Households in these “lower-access” groups make up a small share of all households owning DC accounts. Only 2 percent of households owning DC accounts have household income under $20,000, and 11 percent have household income from $20,000 to $39,999 (Table 4). Only 5 percent of DC-owning households lack a high school diploma. Only 10 percent of households owning DC plan accounts are 65 or older.

Among households with DC accounts, such “lower-access” groups actually have high rates of internet usage; the vast majority indicate internet usage. For DC-owning households with household income under $20,000, 82 percent used the internet in 2016, while 79 percent used the internet among those with household income from $20,000 to $39,999 (Tables 3 and 5). DC-owning households with education of less than a high school diploma used the internet at a 76 percent rate in 2016. DC-owning households 65 or older used the internet at a 76 percent rate.

f. Even within “lower-access” groups, internet usage is significantly higher among households owning DC accounts than among the general population. Within each of the “lower-access” groups, households owning DC plan accounts use the internet at a higher rate than the general population. Fifty-seven percent of all U.S. households with an income under $20,000 used the Internet in 2016, while 82 percent of households with an income under $20,000 who are DC account owners used the internet (Table 5). Sixty-seven percent of U.S. households with household income from $20,000 to $39,999 used the internet, compared with 79 percent of households owning DC accounts with household income from $20,000 to $39,999. Forty-eight percent of U.S. households with no high school diploma used the internet in 2016, while 76 percent of households owning DC accounts with no high school diploma used the internet. Fifty-six percent of the all U.S. households who are 65 or older used the internet in 2016, compared with 76 percent of households owning DC accounts age 65 or older.
**TABLE 5**

“Lower-Access” Groups with DC Accounts Have High Rates of Internet Usage Than the “Lower-Access” General Population

Percentage of U.S. households or households with DC plan accounts by income, education, or age specified

<table>
<thead>
<tr>
<th>INTERNET USAGE</th>
<th>INCOME – UNDER $20,000</th>
<th>INCOME – $20,000–$39,999</th>
<th>EDUCATION – NO HIGH SCHOOL DIPLOMA</th>
<th>AGE – 65 OR OLDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households owning DC plan accounts</td>
<td>82%</td>
<td>79%</td>
<td>76%</td>
<td>76%</td>
</tr>
<tr>
<td>All U.S. households</td>
<td>57%</td>
<td>67%</td>
<td>48%</td>
<td>56%</td>
</tr>
</tbody>
</table>

**MEMO:**

All U.S. adults
(Percentage of U.S. adults in 2015)

<table>
<thead>
<tr>
<th>INTERNET USAGE</th>
<th>INCOME – UNDER $20,000</th>
<th>INCOME – $20,000–$39,999</th>
<th>EDUCATION – NO HIGH SCHOOL DIPLOMA</th>
<th>AGE – 65 OR OLDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households owning DC plan accounts</td>
<td>64%</td>
<td>80%</td>
<td>45%</td>
<td>32% with income less than $40,000</td>
</tr>
<tr>
<td>All U.S. adults</td>
<td>64%</td>
<td>80%</td>
<td>45%</td>
<td>32% with income less than $40,000</td>
</tr>
</tbody>
</table>

Comparison of 2010 and 2016 statistics for “lower-access” populations highlights significant increases since the time of the prior study. Use of the internet among households owning DC accounts in “lower-access” groups has increased since the time of the first study. With regard to household income, 82 percent of U.S. households that earn less than $20,000 a year who own DC accounts used the internet in 2016, similar to 2013, but up dramatically from 56 percent in 2010 (Table 6). Seventy-nine percent of households who earn $20,000 to $39,999 who own DC accounts used the internet in 2016, up from 70 percent of this group in 2013 and 2010. As to education, 76 percent of households owning DC accounts without a high school diploma used the internet in 2016, up from 61 percent in 2013 and 57 percent in 2010. With regard to age, 76 percent of households age 65 or older who own DC accounts used the internet in 2016, up from 72 percent in 2013 and 63 percent in 2010.

Table 6
Internet Usage by “Lower-Access” Populations Has Increased Since the Prior Study
Percentage of households with DC plan accounts by income, education, or age specified

<table>
<thead>
<tr>
<th>INTERNET USAGE BY DC ACCOUNT–OWNING HOUSEHOLDS</th>
<th>INCOME – UNDER $20,000</th>
<th>INCOME – $20,000–$39,999</th>
<th>EDUCATION – NO HIGH SCHOOL DIPLOMA</th>
<th>AGE – 65 OR OLDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>56%</td>
<td>70%</td>
<td>57%</td>
<td>63%</td>
</tr>
<tr>
<td>2013</td>
<td>82%</td>
<td>70%</td>
<td>61%</td>
<td>72%</td>
</tr>
<tr>
<td>2016</td>
<td>82%</td>
<td>79%</td>
<td>76%</td>
<td>76%</td>
</tr>
</tbody>
</table>


The 2011 study examined the issue of whether to change the U.S. Department of Labor (DOL) regulations governing the choice between paper and electronic delivery of required information and notices to participants under the Employee Retirement Income Security Act of 1974 (ERISA), including in connection with DC plans, such as 401(k) plans. See Peter Swire and Kenesa Ahmad, “Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery,” available at https://ssrn.com/abstract=1960669.
2. Supplementary Information on Defined Contribution (DC) Plan Disclosures, Average Costs of Paper Delivery, and Average Contribution Rates for Participants Who Interact with the Plan Website

This supplement provides information based on regulatory requirements on the number and nature of disclosures that typically are sent to DC plan participants over the course of a year. In addition, it includes results from a survey of a cross-section of DC plan recordkeepers regarding the average cost of printing and mailing disclosures, the average length of the disclosures, and the average number delivered over the course of a year. The material ends with a discussion of average contribution rates for participants who interact with the plan website.

a. Information on DC plan disclosures reveals numerous documents are required to be sent to participants. There are many regulatory disclosures required of 401(k) plans, some are provided by the plan sponsor and some are provided by the plan recordkeeper on the behalf of the plan. There are some disclosures, such as quarterly participant statements and the annual comparative chart of the plan’s investment options and their fees, that must be sent by all 401(k) plans, and other disclosures that are sent periodically or as applicable (Table 7). For example, a plan with automatic enrollment would send participants an Automatic Contribution Arrangement Notice and a Qualified Default Investment Alternative (QDIA) Notice. A plan entering a blackout period would have to send a Blackout Notice. Current disclosure delivery practices involve electronic and paper delivery mechanisms, separate deliveries or combined deliveries depending on the timing of the disclosures, and plan sponsor or recordkeeper facilitation of the deliveries.

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42 An individual account plan may impose a “blackout period” when participants are temporarily not able to take actions related to their account, such as diversify assets or take plan distributions.
### TABLE 7

**Common 401(k) Plan Required Notices**

<table>
<thead>
<tr>
<th>NOTICE</th>
<th>BRIEF SUMMARY OF REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly Benefit Statements</td>
<td>401(k) plan participants must receive quarterly statements that indicate total benefits, the amount vested, and the value of each investment to which assets have been allocated.</td>
</tr>
<tr>
<td>Plan and Investment Fee Disclosure (404(a)(5) disclosure)</td>
<td>General information about the plan and potential administrative and individual costs, as well as a “comparative chart” of key information about plan investment options, must be furnished annually. On a quarterly basis, participants must receive a statement of the dollar amount of administrative and individual fees that were charged to their accounts. This information is typically included in the plan’s quarterly benefit statements.</td>
</tr>
<tr>
<td>Summary Annual Report</td>
<td>A narrative summary of the Form 5500 must be provided annually.</td>
</tr>
<tr>
<td>Summary Plan Description (SPD) and Summary of Material Modifications (SMM)</td>
<td>The SPD, a summary of the plan terms, must be delivered to participants when they become covered by the plan, and, if there are no changes to the SPD, every 10 years thereafter. An updated SPD must be furnished every 5 years if changes are made to the SPD information. Material changes to the plan should be described in an SMM and furnished after the change is made; however, sending an updated SPD satisfies the SMM requirement.</td>
</tr>
</tbody>
</table>

**Notices required, where applicable**

- **Automatic Contribution Arrangement Notice** A plan that automatically enrolls participants must send a notice to inform participants of their rights and obligations under the arrangement, provided annually.
- **Qualified Default Investment Alternative (QDIA) Notice** Where the plan includes a default investment into a QDIA, a QDIA notice that describes the default investment and how to change the default investment must be provided upon eligibility and then annually. While these are two separate notice requirements, they may be combined.
- **401(k) Traditional Safe Harbor Notice** A “safe harbor” 401(k) plan (a plan design that uses set employer contributions and is not subject to the nondiscrimination tests) must provide a safe harbor notice when an employee first becomes eligible and annually thereafter.
- **Rollover notice (402(f) notice)** The notice must be provided to recipients of eligible rollover distributions from an employer plan within a reasonable period of time. The notice should be provided no less than 30 days and no more than 180 days before the distribution is to be made. The participant may waive the 30-day period.
- **Blackout Notice** Generally, must provide at least 30 days but not more than 60 days advance notice of blackout period.

b. Costs for paper delivery could exceed $385 million. A recent survey of DC plan recordkeepers finds the average cost for printing and mailing a single notice of four pages to one person is roughly $0.80, which if mailed, just once, to all 80.3 million 401(k) plan participants would add up to more than $64 million (Table 8). With an average of a minimum of six mailings per year, total printing and mailing costs could exceed $385 million. This assumes four quarterly statements and two regulatory notices, but it is common for plans to send four quarterly statements and four regulatory notices, which would increase printing and mailing costs to more than $500 million in a year.

### TABLE 8

**Costs of Paper Delivery According to Survey of a Cross-Section of 401(k) Plan Recordkeepers**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average cost of printing and mailing a single notice of four pages to one person.</td>
<td>$0.80</td>
</tr>
<tr>
<td>Cost of mailing single notice once to 80.3 million 401(k) plan participants.</td>
<td>$64.24 million</td>
</tr>
<tr>
<td>The average number of disclosure deliveries in a year (from the recordkeeper).</td>
<td>6 to 8 deliveries</td>
</tr>
<tr>
<td>The average number of pages of all required notices to one person in a year.</td>
<td>18 to 20 pages</td>
</tr>
</tbody>
</table>

Sources: Investment Company Institute Survey of a Cross-Section of 401(k) Plan Recordkeepers and (number of 401(k) plan participants from) U.S. Department of Labor Form 5500 data

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43 The Investment Company Institute conducted the survey in the winter of 2017/2018 to gather information on printing and mailing costs from a cross-section of DC plan recordkeepers. Survey respondents provide recordkeeping services for more than 40 million 401(k) plan participant accounts in 2017. Responses were weighted by the number of participant accounts to construct an average.


46 Survey respondents provided recordkeeping services for more than 40 million 401(k) plan participant accounts in 2017. Responses were weighted by the number of participant accounts. Not all participants are mailed paper-copies of their disclosures and not all disclosures are provided by the recordkeeper (some are provided by the plan sponsor).
c. Average contribution rates for participants who interact with the plan website are higher than for participants who do not interact with the plan website. A subset of respondents to the DC plan recordkeepers survey were also able to report participant deferral rates among 401(k) plan participants who had interacted with the plan website compared with those participants who had not interacted with the plan website (Table 9). The average participant contribution rate among participants not interacting with the plan website was 5.8 percent of salary, compared with an average 7.8 percent contribution rate among participants who had interacted with their plan website.47

<table>
<thead>
<tr>
<th>TABLE 9</th>
<th>Average Contribution (Deferral) Rate for 401(k) Plan Participants According to Survey of a Cross-Section of 401(k) Plan Recordkeepers48</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants interacting with the plan website</td>
<td>7.8%</td>
</tr>
<tr>
<td>Participants not interacting with the plan website</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Source: Investment Company Institute Survey of a Cross-Section of 401(k) Plan Recordkeepers

47 Responses were weighted by the number of participant accounts among the subset of responding recordkeepers. See note 10 for a description of the recordkeeper survey.

48 The results are based on a subset of recordkeepers that were able to provide data on this subject. See note 10 for a description of the recordkeeper survey.