

GAO Highlights

Highlights of [GAO-13-594](#), a report to congressional requesters

Why GAO Did This Study

With the advent of new technology, sponsors of U.S. private-sector pension plans have begun to deliver plan information to participants electronically in an effort to reduce plan costs and provide greater participant choice. Yet there are concerns that use of electronic disclosure could make it more difficult for some plan participants to receive important information about their plans. GAO was asked to review issues related to electronic disclosure. For this report, GAO: (1) examined the extent to which law and regulations permit electronic disclosure to participants; (2) explored the reported advantages and disadvantages associated with electronic delivery; and (3) evaluated the weaknesses identified, if any, in the agencies' electronic delivery requirements. In conducting this work, GAO reviewed and analyzed relevant federal statutes and regulations; stakeholder responses to Labor's 2011 request for information on electronic disclosure; and any weaknesses identified in interviews of participant advocates and industry representatives, selected by GAO to capture a broad array of perspectives.

What GAO Recommends

GAO recommends that Labor and Treasury consider clarifying regulatory requirements and expanding participants' ability to opt out of electronic delivery. In its written comments, Labor generally agreed with the report's findings and recommendations. Treasury and the Pension Benefit Guaranty Corporation did not provide formal written comments. All three agencies provided technical comments.

View [GAO-13-594](#). For more information, contact Charles A. Jeszeck at (202) 512-7215 or jeszeckc@gao.gov.

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PRIVATE PENSIONS

Revised Electronic Disclosure Rules Could Clarify Use and Better Protect Participant Choice

What GAO Found

Federal statutes and regulations under the purview of the Department of Labor (Labor) and the Department of the Treasury (Treasury) allow employers who sponsor private pension plans to furnish all pension disclosures to participants electronically:

- as the default delivery method if participants meet specific criteria regarding access, or
- if affirmative consent is obtained.

When neither of these conditions can be met, or when requested by participants, plan sponsors must send paper disclosures.

Industry representatives and participant advocates reported various advantages and disadvantages concerning the use of electronic delivery. Both groups agreed that the popularity of electronic delivery was growing due to various efficiencies—such as reduced costs and better tracking of disclosures—that can be advantageous to both pension plan sponsors and participants. However, both groups also raised concerns with the requirements associated with electronic delivery, citing issues with their lack of consistency and clarity as well as concerns that they may not adequately protect a participant's right to opt to receive paper disclosures.

Pros and Cons of Electronic Delivery of Pension Disclosures

	 Cost	 Access and archiving	 Security	 Receipt
Pros	■ No printing and mailing costs for sponsors that could add to indirect costs passed on to participants	■ Electronic notices are always available and easy to archive	■ Passwords can help protect personal information	■ Delivery, and "bounce back" return of undeliverable notices is immediate
Cons	■ Costs of maintaining computer, Internet connection, and printing incurred by participants	■ May lose access to notices if computer malfunctions or Internet connection is lost	■ Vulnerable to security breach from hacking and phishing	■ Undeliverable notices must be re-sent by mail; no way to know if notice sent to unused account

Source: GAO analysis of Labor data and interviews with agency officials, industry representatives, and participant advocacy groups.

GAO's analysis of these concerns identified several weaknesses in the current electronic delivery requirements. For example, although agencies are to draft regulations that avoid inconsistency across agencies and are easy to understand, GAO found that Labor's and Treasury's requirements describing which participants qualify for default electronic delivery to be somewhat inconsistent and unclear, which may impede use of electronic delivery by some plan sponsors. GAO also found that, although participants may request paper disclosures at any time, requirements permitting default electronic delivery and sponsors' use of a secured website to furnish disclosures may not fully protect a participant's ability to choose paper as their preferred delivery method on an ongoing, rather than a document-by-document, basis.