

Address Location & Life Existence Services

Prepared for

National Coordinating Committee for
Multiemployer Plans Conference



September 24, 2018





Presentation Summary

The problem of missing participants is growing, and is inherently linked to a mobile American workforce. Regulatory authorities place the burden of location on institutions responsible for their benefits, who often lack the necessary framework and toolsets to effectively locate them.

With 14 years of relevant experience & expertise, Retirement Clearinghouse (RCH) has developed unique, proprietary technology solutions to address the problem of missing participants, which we've continuously improved to increase their reliability and to reduce their cost. RCH firmly believes that an opportunity exists to create an industry solution to the missing participant problem -- one that will deliver the scale, reliability and cost efficiency to meet the needs of all parties.

Agenda

I. The Missing Participant Problem

- Key Drivers
- Magnitude of Problem
- Sources of Uncertainty
- Emerging Framework
- Role of Technology

II. RCH Address Location Service

- Timeline of Key Events
- Levels & Use of Services
- Results
- Privacy & Security
- Audit Trail

III. Work-in-Progress & Future Enhancements

APPENDICES

An abstract graphic at the top of the slide featuring a dark blue background with a network of glowing white lines and nodes, resembling a complex web or data structure.

I. The Missing Participant Problem



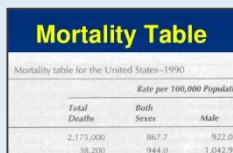
Employee turnover / job-changing

- DC plan participants change jobs 10 times over the course of a 40-year career.
- Each year, 14.8 million DC participants will change jobs



Relocation

- Americans will move almost 12 times over the course of a lifetime.
- In any given year, almost 1 of every 6 Americans will relocate.



Mortality Table		
Mortality table for the United States - 1990		
	Rate per 100,000 Population	
Total Deaths	Both Sexes	Male
2,175,000	867.7	922.0
38,200	944.0	1,042.9

Mortality

- 16% of plan participants will die between 40 and 65.
- One of six participants die prior to normal retirement age



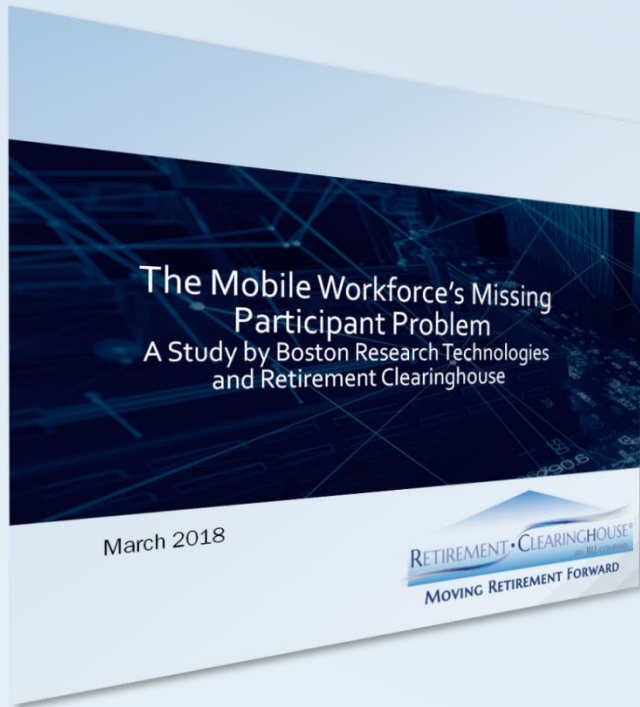
Lack of retirement savings portability

- Barriers to portability result in high volumes of cashouts, plus a growing number of accounts that are "stranded" at job change



Plan features and changes

- Auto enrollment increases the number of small-balance and "unknown" accounts, particularly at low deferral rates
- Company mergers, acquisitions, name changes, recordkeeper transitions, etc.



- **11%:** Terminated account records with a stale address ("missing")
- **1 of 5:** Relocations resulting in a missing participant
- **One-third:** Participants learn of a retirement account with a previous employer they did not realize they had
- **60%:** Participants preferring an automated process to update address or consolidate accounts
- **23%:** Would utilize a lost & found database to locate a stranded account
- **9%:** Participants who would not verify their address if asked by a former employer

Lack of Guidance

- Most recent guidance -- DOL Field Assistance Bulletin 2014-01 -- addressed terminated plans only



Inconsistent Enforcement Positions

- Keep searching every year, indefinitely
- Do "whatever it takes" to find participants
- Contact former co-workers, family
- Notify participants of audit actions



Fiduciary Risk

- Increased penalties
- Increased audit activity
- Potential breach of fiduciary duty

Separated Participant Status



Participant is at or past a distribution event



Participant is nearing a distribution event



Participant is well in advance of a normal distribution event

Intensity of Search



Delivery of results that are reliable and cost effective:

Access multiple data sources proven to deliver updates, including:

- USPS Change of Address for new addresses plus standard formatting
- Multiple credit bureaus and commercial databases
- Participant outreach
- Forensic investigation

Increase reliability through proven, proprietary algorithms that:

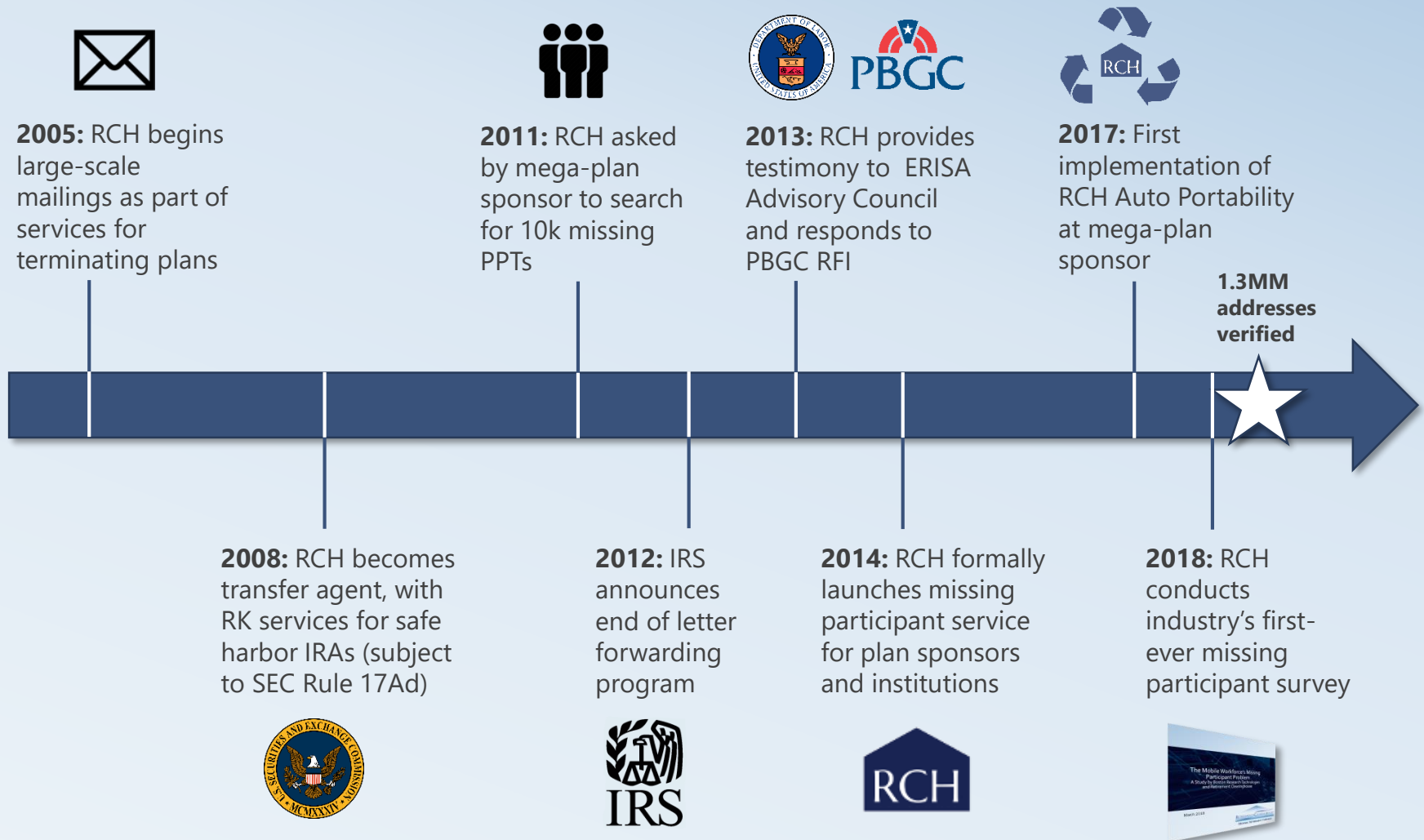
- Have been thoroughly-tested and demonstrated to increase reliability
- Evaluate intermediate results from data sources
- Initiate additional searches, as required
- Select and present the most-reliable result

Ongoing, leverage financial account repositories that:

- Utilize existing technology (ex. – auto portability) to combine disparate account repositories and to create a virtual database that deliver reliability, scale & cost efficiency



II. RCH Address Location Service



LEVEL 4:

Levels 1-3 +
USPS Certified
Mail

PLAN TERMINATION:

For unresponsive participants
in terminating plans

LEVEL 3:

Levels 1,2 + Universal
Internet Search

FORSENIC SEARCH:

For participants at or past a
distribution event

LEVEL 2:

Level 1 + Participant Mailings

OUTREACH & VERIFICATION:

For participants nearing a
distribution event

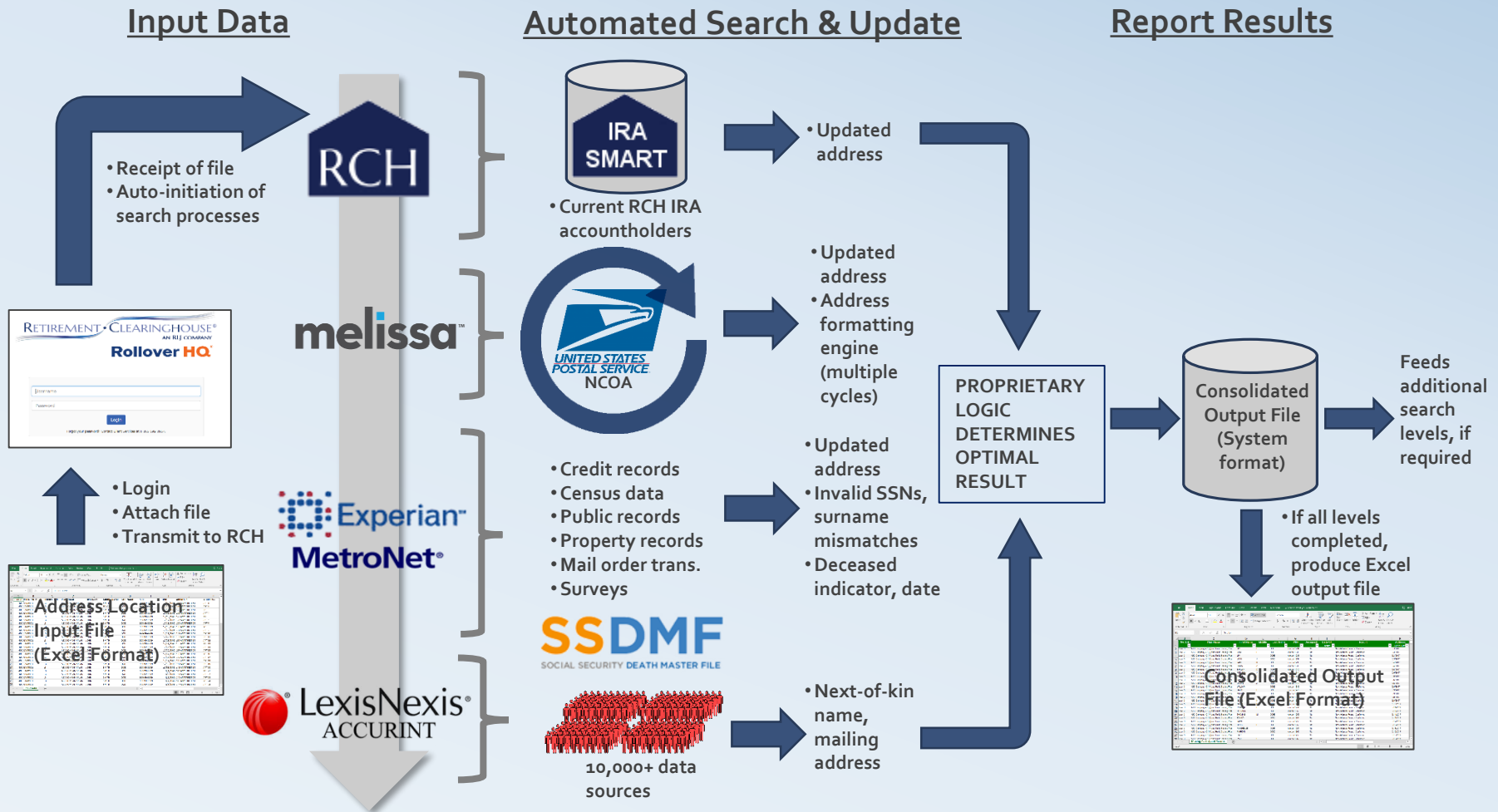
LEVEL 1:

Electronic Search

AUTO-SEARCH:

For larger, periodic “hygienic”
updates (ex. – mail bounce-
backs)

LEVEL 1: Electronic Search

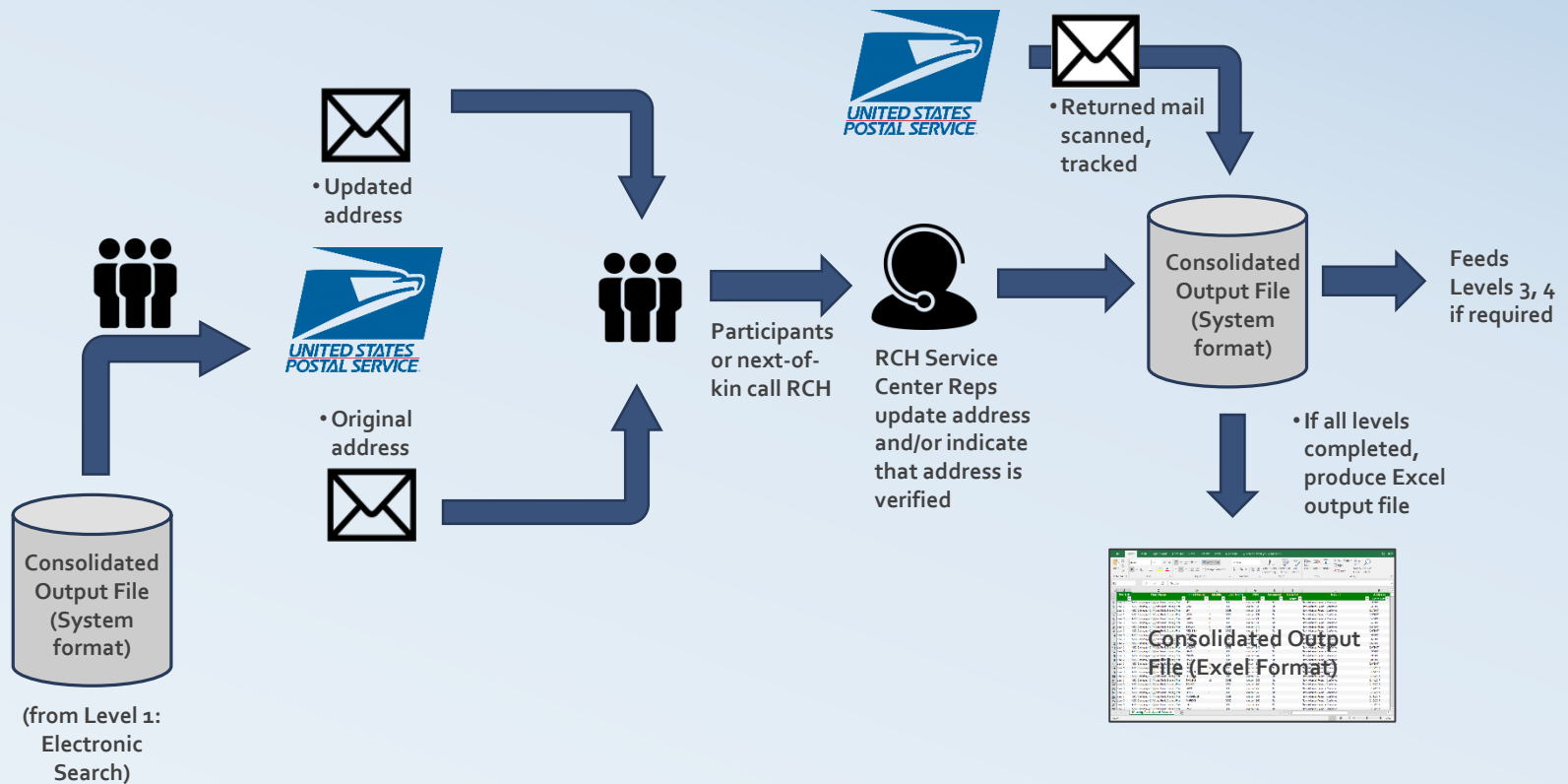


LEVEL 2: Level 1 + Participant Mailings

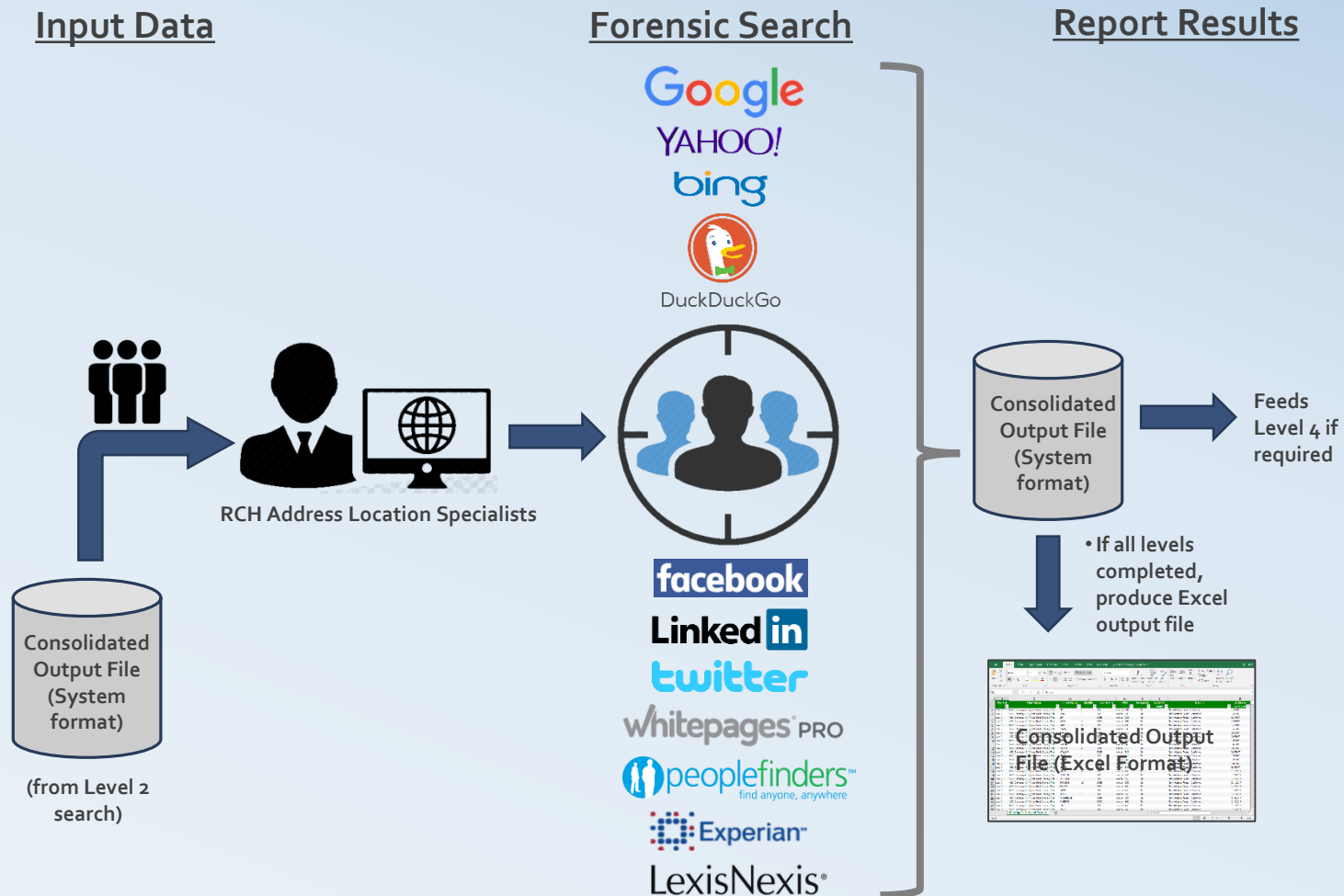
Input Data

Outreach & Verification

Report Results

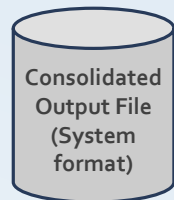


LEVEL 3: Level 1, 2 + Universal Internet Search



LEVEL 4: Levels 1-3 + USPS Certified Mail

Input Data



(from Level 3 search)



- USPS Certified Mail sent to all participants with returned mail (Level 2)

USPS Certified Mail

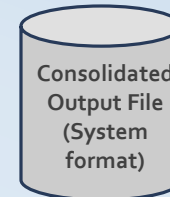


RCH Service Center Reps update address and/or indicate that address is verified

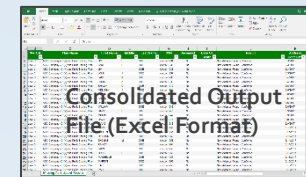


- Receive electronic return receipt

Report Results



Produce Excel output file

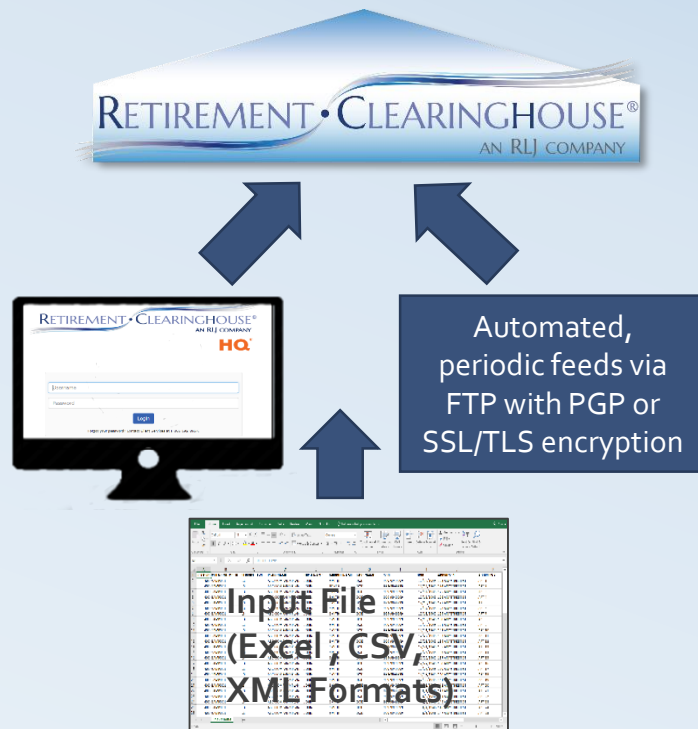


Results by Outcome Code	% Success
New Address Found - Unconfirmed	84.5%
New Address Found - Confirmed	8.9%
Deceased, Next of Kin Address Found - Unconfirmed	2.4%
Deceased, Next of Kin Address Found - Confirmed	0.1%
Total Success Ratio	95.9%
Deceased, No Next of Kin Address Found	3.0%
No New Address Found	1.1%
Total - No Address or Beneficiary Found	4.0%
TOTAL	100.0%

RCH Address Location Service

Privacy & Security

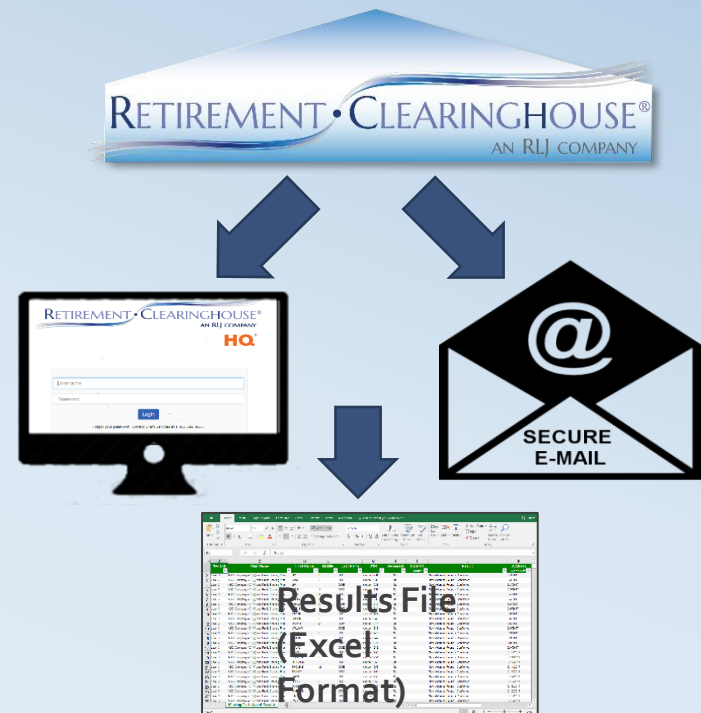
Providing Input Data to RCH



Options:

1. Uploaded via HQ -- RCH's secure, web-based application
2. Automated, periodic data transmission using PGP over FTP, or FTP with SSL/TLS

Receiving Results from RCH



Options:

1. Accessed and downloaded directly, through HQ
2. Secure e-mail, delivered from the RCH Client Services team

All data residing at RCH is immediately encrypted upon receipt. Data is protected by security features that exceed industry standards, and are independently audited to ensure compliance. All address data remains in the United States. See **Appendix E – RCH Security Features** for more information.



✓ **All participant input data archived**



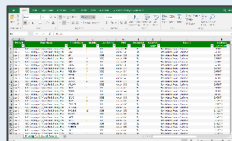
✓ **All participant mailings, returns recorded**



✓ **All participant calls recorded**



✓ **All search activities documented**



✓ **Final search results archived**



III. Future Enhancements

Near-Term (this year):

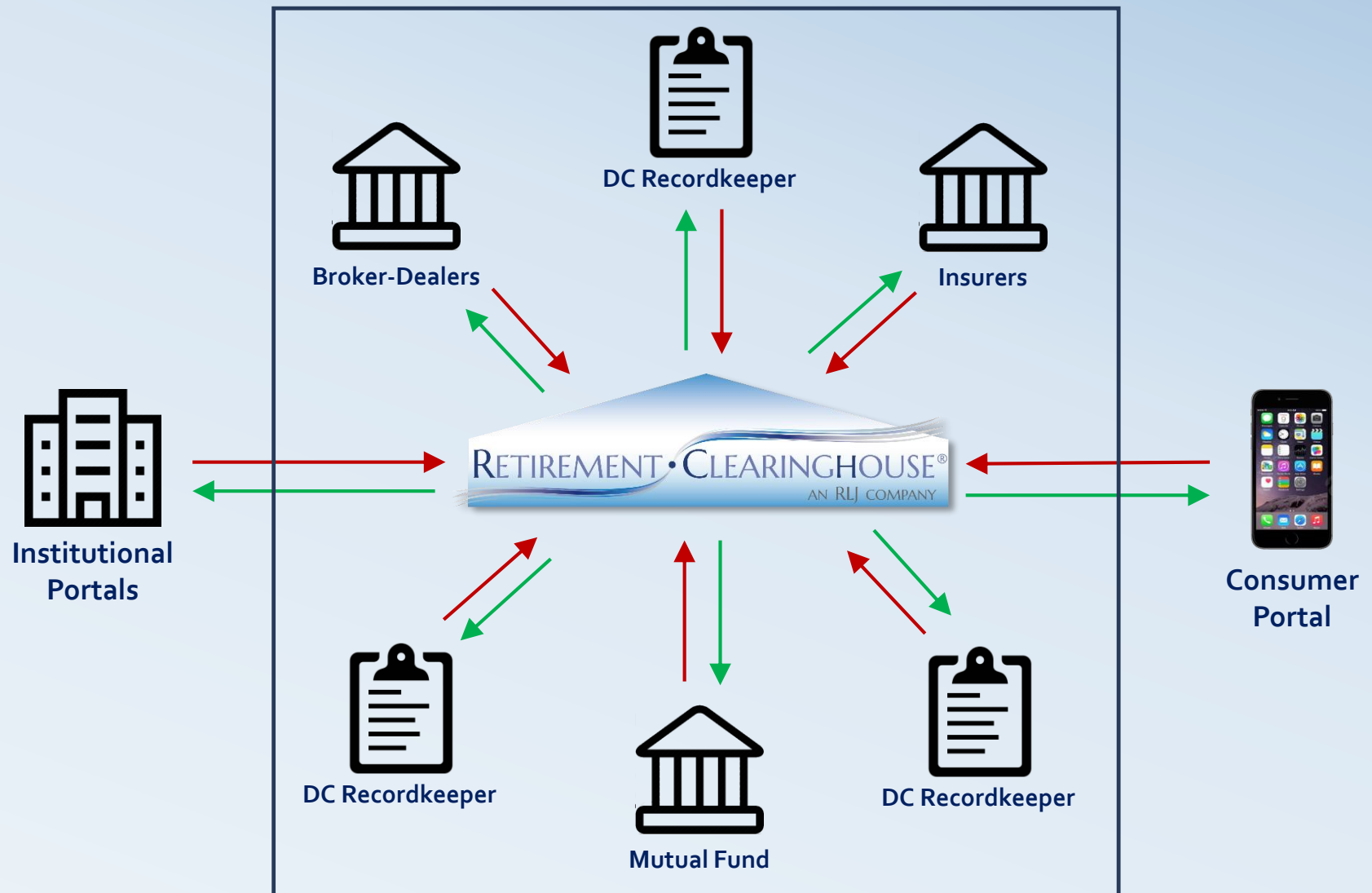
- Expand Electronic Search by integrating 2-3 new data sources and adapting search algorithms
- Enhance Life Existence Checking by adding complementary data sources to SS Master Death File
- Enhance Forensic Search capabilities

Intermediate term (next 2 years):

- Leverage Auto Portability's "Auto Locate" feature to create a virtual database for the defined contribution industry

Longer-term (2+ years):

- Extend Auto Locate to combine disparate account repositories and to create a virtual database that deliver reliability, scale & cost efficiency





APPENDICES

- A. Why RCH?
- B. Research & Key Findings
- C. RCH Media Coverage
- D. Applicable Regulation
- E. RCH Security Features

RESULTS



RCH consistently achieves a 95% success rate in locating new addresses. RCH has proprietary logic in our process that repeatedly examines and validates the address data returned, identifying the most-reliable result.

SECURITY & PRIVACY



RCH adheres to rigorous Service Organization Controls (SOC) controls and reporting, designed to ensure that RCH meets key principles including: security, availability, confidentiality, processing integrity and privacy of RCH's systems.

INNOVATION



RCH is an innovator and a thought leader in developing solutions that reduce cashouts, minimize missing participants and move retirement savings forward. RCH has pioneered auto portability, which is revolutionizing the portability of small-balance retirement savings.

EXPERIENCE

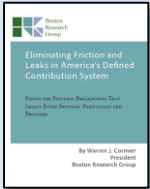


RCH has 14 years of experience in delivering services that require address verification and the location of plan participants

SERVICES DELIVERED BY RCH



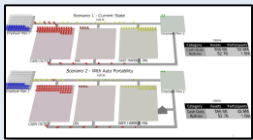
The RCH Address Location Service is provided under one roof (no contracting out to a 3rd party).



Eliminating Friction and Leaks in America's Defined Contribution System (2013): Examines a program of portability implemented at a mega plan sponsor in the healthcare services industry. Results included dramatic reductions in cashouts (51%) and missing participants, and a dramatic increase in plan roll-ins.



Actionable Insights for America's Mobile Workforce (2015): A survey of plan participants, examining their behaviors following changes in employment. Key results indicated regret over cashouts and a strong preference for solutions that move retirement savings forward.



Auto Portability Simulation (2016): The industry's first discrete event simulation model, modeling the effects of auto portability on America's defined contribution system over a generation of savers.



Making the Right Choice the Easiest Choice (2017): A thorough examination of the first implementation of auto portability at a large plan sponsor, indicating the incredible potential for auto portability under a scenario of widespread industry adoption.



The Mobile Workforce's Missing Participant Problem (2018): RCH consistently achieves a 95% success rate in locating new addresses. RCH has proprietary logic in our process that repeatedly examines and validates the address data returned, identifying the best result.

Media Outlet:

Pensions&Investments

PLANSPONSOR®

ebn
Employee Benefit News

NAPA
National Association of Plan Advisors

401kSpecialist

SRM®

401kTV

You Tube

Missing Participant-Related Articles / Content Featuring RCH:

Plans take lead to find the missing (April 2018)

Auto portability viewed as way to reduce number of missing participants (April 2018)

Insights on Retirement Plan Stranded Accounts (March 2018)

Lost in Transition: Addressing the Problem of Missing Participants (March 2013)

401(k) account consolidation: The key to reducing missing participants (May 2018)

Helping Plan Sponsors Deal with the Missing Participant Problem (May 2018)

How Bad is the 401k 'Missing Participant' Problem? (March 2018)

A 'Cure' For The Missing Participant Problem? (May 2018)

What To Do About Missing 401k Participants (Oct. 2017)

Keep Track of 401(k) Participants So They Don't Go Missing (April 2018)

Best Practices Guide to Locating a Retirement Plan Missing Participant (March 2017)

Educational Videos:

- The Fundamentals of Locating Missing Participants
- The ABCs of Locating Missing Participants
- Reducing the Burden of Missing Participants



DOL FAB 2014-01- This guidance was issued in conjunction with the obligation of plan fiduciaries to search for lost and missing participants upon termination of a defined contribution plan.



IRS Rev Proc. 2015-27- The corrective procedures update guidance in light of the SSA terminating the SSA letter forwarding service.

IRS Field Directive re Lost and Missing Participants and RMDs (10/19/17). This guidance directs IRS examiners not to challenge a qualified plan as failing to satisfy the RMD standards under the Code provided that the plan takes the appropriate steps in seeking to locate the participant.



PBGC Guidance - 82 Fed. Reg. 60,800 – in conjunction with PBGC expansion of PBGC missing participant program. The regulation requires that plan administrators conduct a diligent search as a prerequisite to participating in the program.



SEC Rule 17 CFR § 240.17Ad-17 – The regulation describes search efforts that must be conducted by transfer agents and broker-dealers who maintain accounts of lost or missing accountholders.



National Council of Insurance Legislators Model Law. The Model law was enacted to ensure the timely payment of death benefits to beneficiaries.



From the OCC website:

Each state has an unclaimed property program. Before sending the account balance to the state, the bank is usually required to try to contact the customer. Some banks publish the names of the account holder in a local newspaper. Some banks send a letter to the last known address of the account holder. The bank will turn over the account balance to the state if there is no contact from the account holder.

Area	Security Features
Physical Location	<ul style="list-style-type: none"> • Data center: multiple levels of access security, redundant power & data access points • Business Continuity Plan (BCP) with hot-site
Perimeter Security	<ul style="list-style-type: none"> • Firewalls, remote management via VPN, web app filters, threat management software
Operating Systems	<ul style="list-style-type: none"> • Automatic deployment of updates • Centrally-managed anti-virus with daily updates
Application Security	<ul style="list-style-type: none"> • Full encryption for data storage • Access limited by function, 2-factor authentication
Data Transmission	<ul style="list-style-type: none"> • Full encryption for data transmission • Secure emails with Smarsh and TLS • Encrypted, password-protected input and output files
Independent Audits	<ul style="list-style-type: none"> • Annual SOC 2 Type 1, 2 and HITrust Level 1 audits performed by independent CPA firms • Annual internal, external penetration tests performed by independent security firms
Other Security Features	<ul style="list-style-type: none"> • External vendor risk assessment • SecurePrint enabled for printers • USB, DVD drives disabled on desktops • Background checks for all employees • 15-char PWs required for all employees • 27-char PWs required for NW admins

About Retirement Clearinghouse

Retirement Clearinghouse (RCH) is the leading specialist in retirement savings portability services, with best practices designed to address the problems caused by small accounts.

What Causes Small Accounts?

A mobile workforce, combined with savings-based initiatives (e.g. auto-enrollment) drives a proliferation of small accounts in 401(k) retirement plans. Small accounts occur each time a new participant enrolls in the plan, or when a short-tenure or low-deferral rate participant separates.

The Impact of Small Accounts on Your Plan:

- Growth in plan costs
- Increase in fiduciary liability
- Problems with missing participants and uncashed checks

Portability / Transition Management Services Offered by RCH:

RCH Automatic Rollover Service

RCH Managed PortabilitySM

- In: RCH Assisted Roll-In
- Out: RCH Assisted Roll-Out

RCH Address Location Service

RCH Uncashed Check Service

RCH Terminating Plan Service

Defined Benefit Plan Force-Outs. Lump Sum Windows

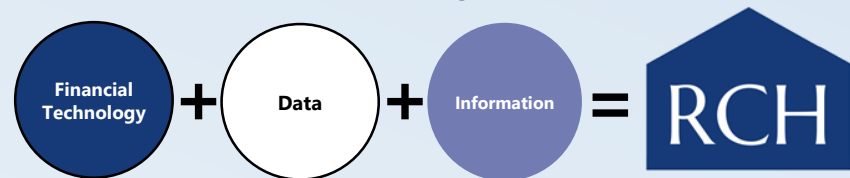
Why RCH?

History of Success:

- 520,000+ automatic rollover IRAs
- 1.3 million participant addresses verified
- \$3.8 billion assets consolidated
- 23,000+ plan sponsor clients
- Largest client: 250,000+ participants
- Strong, secure and profitable
- Industry thought leader

Proven Results in One of the Nation's Largest Plans:

- Reduced cashouts by 51%
- Consolidated over 72,000 participant accounts
- Performed over 207,800 participant address updates
- Found over 7,000 missing participants



Based in Charlotte, NC, RCH is on the web at www.RCH1.com.

For more information, contact RCH at (866) 827-9608, or via e-mail at sales@RCH1.com