

## 409A Excess Plan Election Website

### The Challenge

Due to regulatory changes in IRS Section 409A, our client's non-qualified excess retirement plans were changed to annual cash payment plans. Participants were required to designate how and when they would like to take distributions.

Our client was required to solicit elections from 815 individuals that fell into 14 different groups with input coming from, and output going to, three different vendors, with a limited administration staff in a several-month time period. Their solution was to use paper election forms. The forms would be mailed to each individual, filled out and then mailed back.

We initially got involved in the project in May, with the enrollment period set for September. Our role in the project was to assist the business's retirement area team with project management, i.e., develop project plans, attend meetings, etc.

Soon after becoming involved in the project, it became apparent that the paper election process was going to be fraught with difficulty. The entire process was going to be done manually. The total population of 815 had to be split into 14 different groups depending on a number of factors that had to be obtained from PeopleSoft HR and the excess retirement plan they were in. Each of the 14 groups had a different enrollment form which had to be mailed to the participants who then had to complete the form and mail it back by the end of the enrollment period.

### The Solution

LBi proposed developing a website and hosting it so it would be ready for the September enrollment period.

The website would solve a number of issues. First, by eliminating the manual processing of the forms, it would reduce the workload of the administrative staff, which was already at its limits. Second, it would eliminate manual errors such as incomplete forms, illegible forms, keying errors when transferring elections from paper to a spreadsheet, and any issues with the mail. Thirdly, by using the website, the elections would be validated immediately. Participants would be unable to make an invalid election. Once the election was made, participants would receive a confirmation email – immediate feedback on their election. And during the open enrollment period, participants could make or change their elections as many times as they liked 24x7.

The website also would provide definitions of terms, information about the reason for the distribution, what the participant was responsible for, the default process if they did nothing, and Frequently Asked Questions (FAQs). By having all this information in one place, it would allow the participants to make an informed decision.

One of the keys to the success of the website was the ability to perform ad hoc reporting such as distinct participants who logged in, distinct participants who made elections, participants who logged in but did not make an election, a count of the participants in a group, etc. This ad hoc reporting made it possible to send reminder notices to those who did not make elections, before the election period closed. This eliminated the need for the follow-up notice and final default letter and therefore, when the open enrollment period was closed, it was truly closed.

LBi also provided the technical ability to take the input spreadsheets from the three vendors, combine them, and gather relevant information from PeopleSoft. Based on a number of factors, we then split the population into the 14 groups. After the election period, we were able to provide the three vendors with the final elections.

### The Benefits

By allowing employees to make their elections through a secure website, the Company was able to eliminate data entry errors, validate the data entered, keep the enrollment paperless and give employees a 24x7 window to make their updates. The election website was able to easily track and report on elections and feed the data to the appropriate vendors.

The participants were able to make informed decisions, and receive immediate confirmation.

The 409A Election website was a success for both the business and the participants.