

**MEMO# 10361**

October 8, 1998

## **INSTITUTE SUBMITS COMMENT LETTER TO IRS REGARDING USE OF ""PAPERLESS TECHNOLOGIES**

[10361] October 8, 1998 TO: PENSION COMMITTEE No. 67-98 PENSION OPERATIONS  
ADVISORY COMMITTEE No. 50-98 RE: INSTITUTE SUBMITS COMMENT LETTER TO IRS  
REGARDING USE OF ""PAPERLESS TECHNOLOGIES

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The Institute recently submitted the attached comment letter to address issues raised by IRS Announcement 98-22, regarding the use of "new" or "paperless" technologies in retirement plan administration. The IRS is seeking comment on how to revise current regulations to facilitate the implementation of these technologies while assuring there are appropriate protections for plan participants. In the comment letter, the Institute explains that Institute members have extensive experience in applying new technologies, such as voice response systems, electronic mail and website access, to the administration of and recordkeeping for retirement plans. Using these technologies, Institute members have been able to provide shareholders with timely, reliable information less expensively than is the case with a traditional "paper" system, and participants have enjoyed enhanced services, such as the opportunity to implement investment and distribution decisions promptly and accurately. More specifically, the letter makes the following points: 1. Current regulatory impediments to increasing the use of cost-effective "paperless" technologies should be addressed by general standards regarding the delivery, receipt and authentication of communications between plans and their participants, not by rules tailored to specific, currently existing technologies, which could become outdated. 2. A regulatory approach which states generally applicable principles, rather than addressing specific technologies, could be applied to Internal Revenue Code sections 402(f) and 3405 notice and election requirements, as well as to pension information reporting requirements. 3. The new "paperless" technologies have proven themselves secure, accurate and subject to less risk of fraud than paper-based systems of plan administration. Procedures for authenticating elections and consents can be effectively substituted for "writing" and "signature" requirements in current regulations. A copy of the comment letter is attached. Russell G. Galer Senior Counsel Attachment