PAYROLL INTEGRATION AND YOUR RETIREMENT PLAN

Accurate Recordkeeping Requires
Accurate Payroll Data

EXECUTIVE SUMMARY

Running a business demands sharp focus from business owners and managers. That focus has to be shared with other priorities — including managing the retirement plan. More and more, leaders are looking to providers for help managing risks and creating efficiencies in their retirement plans.

A well-chosen payroll integration solution automates processes that reduce the plan sponsor's administrative burden and help manage fiduciary responsibilities for their retirement plan. Data accuracy improves, processing is smoother, and human errors go down. As they do, expensive staff time that would otherwise be spent unraveling problems can be dedicated to more productive functions. The results are often lower costs, happier participants, and timely, accurate contribution deposits.

> ## As much as we all love a personal touch, less human input means fewer opportunities to make mistakes.

In this paper, we'll discuss payroll integration options and why some are better than others. We'll also cover how to select a retirement plan provider equipped to give you the professional and technical support you need to ensure a successful integration. Key topics will include:

- **Payroll integration technology defined**

- **How the process works**

- **How to select the right solution for your needs**

- **Questions to help evaluate your recordkeeper's integration capability**

WHAT IS PAYROLL INTEGRATION TECHNOLOGY?

Participant data is used to administer employer-sponsored retirement plans in accordance with the plan's provisions. Data must be accurate and up-to-date. Because multiple systems are often involved (i.e., payroll and HR information systems (HRIS)), it is important to ensure consistency. When changes such as loan payments or contribution adjustments are made to one system, the other system must be updated as well. Payroll integration technology allows the systems to communicate directly, minimizing human intervention and creating a more accurate, efficient process.

Methods used to integrate payroll and recordkeeping data can range from fully manual to fully automated. Manual processes are time-consuming, stressful, and cumbersome, and they increase the chances of error because someone must input data and review reports before contribution deposits can be made.

Significant errors may even threaten the plan's qualification. Rather than relying on the eyes, ears, and memories of humans, automated payroll integration systems improve timeliness and accuracy. When fewer staff hours are involved, efficiency increases, cost decreases, and fewer chances for serious fiduciary breaches exist.

How does the plan benefit from effective payroll integration?

- Reduces errors
- Improves efficiency
- Less time required from staff
- Lowers costs
- Helps guard against fiduciary breaches

THE PROCESS: PAYROLL TO RECORDKEEPER (AND BACK AGAIN)

With each payroll, there are changes to make and reports to run, which may involve several steps. For example:

- Employees update deferral information or loan information in the recordkeeping system

- The recordkeeper generates a report for the employer to review

- The employer manually or automatically updates contribution and loan information to the payroll system, so it is ready for the next pay period

If these actions aren't completed on time, corrections may be required. Processing the corrections takes extra staff time and effort to backtrack and fix.

This isn't just a small-company challenge. Large organizations with sophisticated technology are not immune. They may have several payroll vendors across different divisions, each with their own systems and methods of delivering information. More complexity often makes an organization more susceptible to errors.

TIMELINESS, ACCURACY, AND FIDUCIARY CONCERNS

Participant data housed in the payroll system is the source of truth for the retirement plan recordkeeper. The payroll system is where new employees are set up to begin receiving pay, using specific data points so pay can be calculated accurately and payroll deductions can be taken.

Accuracy in plan recordkeeping depends on accurate payroll data.

More data points are needed for recordkeeping than for payroll. For example, payroll doesn't require the employee's date of birth and email address, but they are important for recordkeeping purposes. Email addresses facilitate the delivery of plan notices, and dates of birth and hire allow the plan administrator or 3(16) fiduciary to accurately perform administrative tasks such as tracking plan eligibility.

Email addresses can also be used to add another level of account security by facilitating multi-factor authentication for participant account access. This can help protect participants and the plan against cyber threats and fraud, providing additional security to plan sponsors as they address their fiduciary responsibilities. Because failure to discharge fiduciary responsibilities puts the plan at risk for disqualification, taking reasonable steps to protect participant accounts is important.

Best practice:

Ask about the specific data points your recordkeeper needs, and make sure your payroll provider or HRIS system is tracking them.
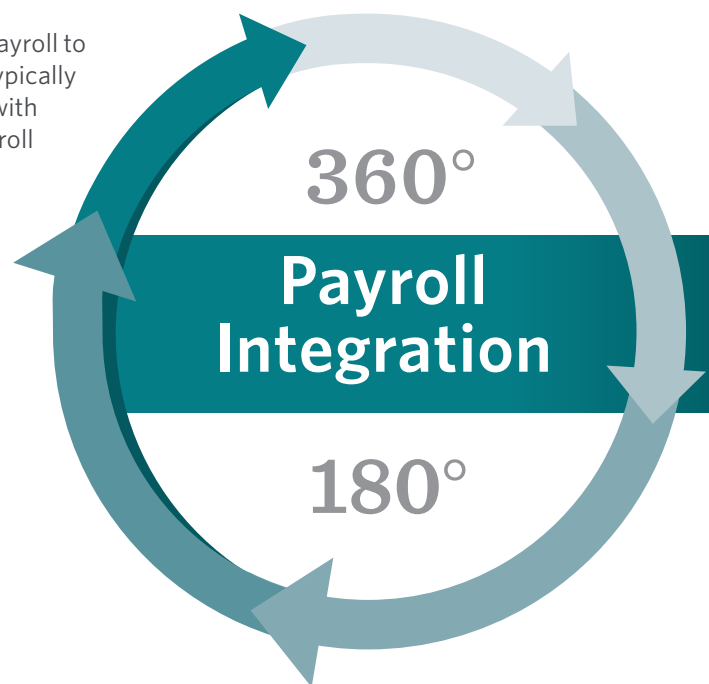
PAYROLL INTEGRATION TECHNOLOGY: 180° INTEGRATION AND 360° INTEGRATION

It's easy to see how automating payroll integration can reduce the burden of maintaining a retirement plan. Whether it's one-way automation, known as 180° integration, or full 360° integration, it reduces opportunities for human error, improves data security, and increases efficiency.

Ideally, data moves seamlessly back and forth between payroll and the plan recordkeeper. Whenever a data point is changed — either in the payroll system, HRIS system or the recordkeeping system — it would automatically move to the other system(s) without human intervention.

With 180° integration, data travels in one direction, from payroll to the recordkeeper. Files reach the recordkeeper sooner — typically on the same date as the payroll run — than would happen with manual processing. This can eliminate delays between payroll processing and submission of contributions. With the reduction of opportunity for human error, 180° integration saves time, which often equates to money.

Two-way integration, known as 360°, further increases efficiency. In addition to data being pushed from payroll to recordkeeper, it also pulls back to payroll changes entered into recordkeeping during the pay period. By reducing errors, the 360° process requires less of the employer's time.

360°

Payroll Integration

180°

CHOOSING THE RIGHT SOLUTION

THERE ARE THREE MAIN SOLUTIONS FOR PAYROLL INTEGRATION TECHNOLOGY:

- Outsourcing to a third-party integrator
- Selecting a payroll provider that offers both payroll and recordkeeping services
- Choosing a recordkeeper that integrates with your preferred payroll provider

THIRD-PARTY PAYROLL INTEGRATORS

Third-party integrators are technology companies that serve as translators between payroll and recordkeeper. Not all integrators have equal capabilities, so it's important to understand what they can and cannot do. For example, some integration systems are incompatible with certain payroll systems or recordkeeping platforms. Before you engage a third-party integrator, make sure they are capable of working with your payroll system and your recordkeeper.Cost is a consideration, because there is typically a fee each time the integrator handles data. The fee is generally charged to the payroll provider, which then passes it along to the employer. For employers using multiple payroll providers, this can be especially costly.

☑ Best practice:

If you will be using a payroll integrator, find out if it is equipped to work with your existing providers.

PAYROLL PROVIDERS THAT ALSO OFFER RECORDKEEPING SERVICES

Obtaining payroll and recordkeeping services from a single vendor may seem like the simplest choice. But if the company's recordkeeping services don't meet your organization's needs, consider other options. The tools and services your recordkeeper provides are more than simply tracking employee account balances. The recordkeeper should be equipped to engage, educate, and inform employees, which can increase participation and retirement savings. That can lead to better retirement preparation, which is ultimately the goal of any retirement plan.

RECORDKEEPERS

Not all recordkeepers have systems that can integrate with a given payroll provider. If you're happy with the services you're receiving from your recordkeeper, ask if they can offer 180° or 360° integration as an added service. If not, keep looking. The ability to interface directly between providers removes so much potential for error — and results in significant time and cost savings — that continuing the search until you find the right fit is worthwhile.

It's also important to understand what your recordkeeper will require to administer the plan properly. Be sure to ask about their flexibility in terms of file formats, data, and reporting capabilities. As your plan grows and your organization evolves, your recordkeeper's flexibility will become more essential.

EVALUATING YOUR RECORDKEEPER

When evaluating recordkeepers, look for one with a technology focus and a substantial commitment of resources to develop flexible, powerful solutions.

HERE ARE A FEW MORE QUESTIONS TO ASK AS YOU SEEK SUCCESSFUL PAYROLL INTEGRATION:

- Is the provider willing to consult with you to establish a process that meets your needs and works within your existing processes and systems?

- Does the provider assist employers by striving to be good stewards of plan data, including data validation and quality checks?

- Does the recordkeeper have flexibility in how it works with clients, allowing the client to choose end-to-end automation versus client reviews every time?

- Does the recordkeeper's system generate "soft errors" for limited-scope issues like missing data?

- Does the recordkeeper apply guardrails — automatic "hard error" messaging for invalid entries like negative loan payments — that could invalidate the entire run?

- Does the recordkeeper's system provide payroll reporting that meets your needs?

CONCLUSION

Payroll integration technology delivers greater efficiency and reduces time and expense for employers. There are many factors to consider when choosing how to integrate your systems. By understanding your options and selecting the right partner, you can position your plan for success.

About Transamerica

Transamerica is a recordkeeping technology powerhouse. We recognize the important role payroll integration has in accurate retirement recordkeeping, so we created our proprietary solution from the ground up. The solution is compatible with most payroll systems, flexible enough to work within our clients' existing processes, and sensitive enough to know when it encounters missing data. Our specialists would be happy to discuss your specific situation and provide a quote.

Let's get started today.

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