

# Digital Retirement Operations: A Path to Automated Record Keeping

The Cognizant® Automated Retirement Operations (CARO) offering empowers record keepers to balance business realities with member needs while speeding time to market.

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The Coronavirus pandemic stands to be one of the biggest disruptors to human life in the last 100 years. We have all seen hardship manifest overnight – fading confidence, crashing financial markets, epic levels of unemployment – not to mention the pain and loss caused by COVID-19 itself.

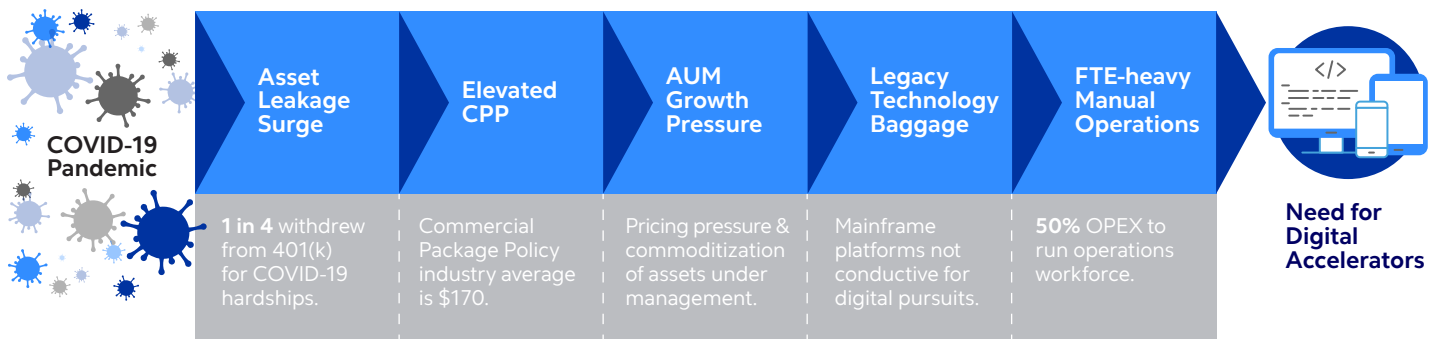
Months after the global pandemic took hold, most employees are still working from home, and, for many, there will be no return to the office. This development is not good news for retirement plan administrators, putting more strain on margins and taxing their already-fragile technology ecosystems and overburdened IT departments. Many record keepers and retirement providers today are ill equipped to support a virtual remote workforce and can't afford a wholesale digital transformation initiative.

It's true – record keepers are facing a classic operational conundrum. They need to cut costs – more every year – while making strategic investments. This cycle can't continue. The Cognizant® Automated Retirement Operations (CARO) offering helps record keepers rapidly gain urgent digital capabilities without the need for a massive transformation effort that requires swapping out their legacy platforms.

Record keepers and retirement providers are challenged by a number of developments, both ongoing and recent:

- I Amplified cost and asset growth pressures.** Most record keepers were already facing enormous pressure to reduce costs while finding new ways to drive asset growth. The pandemic has further amplified this burden through increased asset leakage, leaving little room for digital investments, as [more than one in four Americans](#) tapped (or had plans to tap) their retirement savings in 401(k) accounts to overcome ongoing financial hardships due to the Coronavirus pandemic.
- I The legacy record-keeping platforms are ill-suited to digitization.** Industry has been grappling to escape the clutches of legacy record-keeping platforms, with limited success so far. What's needed is an offering that provides an omni-channel process layer that leverages the strengths of established technology platforms while providing digital capabilities and flexibility that are in urgent demand in today's rapidly changing environment.
- I Enable a digitally connected workforce.** Digital leaders have catalyzed employee performance using mobility and collaboration tools, as well as real-time monitoring and advanced analytics capabilities.

- I The rapid pace of regulatory changes** (such as the CARES Act and SECURE) makes it imperative to have greater operational agility and the ability to make changes rapidly. The CARES Act, for example, makes it critical for record keepers to allow smooth and easy 401(k) withdrawals via online and mobile channels while providing clear information for plan members to aid in their decision-making.
- I Limited funding for investments to digitize operations.** Record keepers typically spend roughly half of their operating budgets and nearly half of their IT spending just to keep their operations running. Investing in digital technology is viewed as highly uneconomical due to the high FTE headcounts, extensive manual workflows, limited automation, and proliferating complexity due to the disparate systems necessary for processing a transaction.



- I The need to respond to a swell of CARES Act 401(k) withdrawals.** The rise of layoffs related to the pandemic and the subsequent introduction of the CARES Act has increased consumer demand for access to their retirement savings through unplanned withdrawals. The wave of tax-free withdrawals exposed the breakdowns in current record-keeper processes. The industry is expected to witness an ongoing surge in early/hardship withdrawals, a spike in customer requests, an increase in plan loan distributions and liquidation of retirement assets and plan terminations.

To free themselves from these constraints, record keepers should restrict their use of legacy platforms to core record keeping while enabling digital capabilities by deploying a wrapper technology solution on top of the legacy platform.

# Driving value: Move operations to integrated digital systems

Record keepers need help in their quest to hold down costs while managing spikes in transaction volumes and enabling seamless member experience. The situation is driving record keepers to accelerate their move to a fully enabled digital operating model. Figure 1 shows the value proposition of the digital retirement operating model.

## Digital retirement operating model



### Value to IT

**Open, plug and play architecture** tool agnostic solution designed for integration with any surrounds

**Rapid deployment** low-code/no-code and configuration-based; minimal IT development

**Externalized business rules** flexibly supports quick changes

**Modularized design** enables incremental adoption/roll-outs

**Cloud native** aligned with future state enterprise IT strategy



### Value to Business

**Business agility** in responding to participant needs and regulation – CARES act, Secure Act, etc.


**Digitized operations** resulting in reduced CPP and manual procedures

**Highly scalable** to accommodate M&A and spike in transaction volumes

**Omni-channel experience** for better customer servicing and retention

**Minimize workforce disruptions** arising out of situations such as COVID-19

Figure 1

A close-up, low-angle shot of a person wearing glasses, looking intently at a computer screen. The entire image is overlaid with a semi-transparent blue filter. The person's face is partially visible on the right side, and the screen shows some blurred data or code. A solid light blue vertical bar is positioned on the left side of the page, partially overlapping the text area.

Record keepers must accelerate the move to digital to support virtual remote operations and be ready for the next disruption.

# CARO: Cognizant® Automated Retirement Operations

Cognizant® Automated Retirement Operations (CARO) is a comprehensive, integrated Digital Process Automation servicing accelerator for Record Keepers designed to provide state of the art technology leveraging a common service layer to help enable Channel Orchestration, Process Orchestration, and Systems Integration with future ready capabilities. Figure 2 compares the current highly manual and fragmented retirement plan ecosystem with the future streamlined one.

CARO provides an advanced and flexible retirement operations ecosystem that not only supports existing business needs but also enables organizations to easily scale their digital transformation initiatives. Figure 3 (next page) shows CARO's four domains with their technology-enabled capabilities.

## Comparing the current and future retirement plan ecosystem

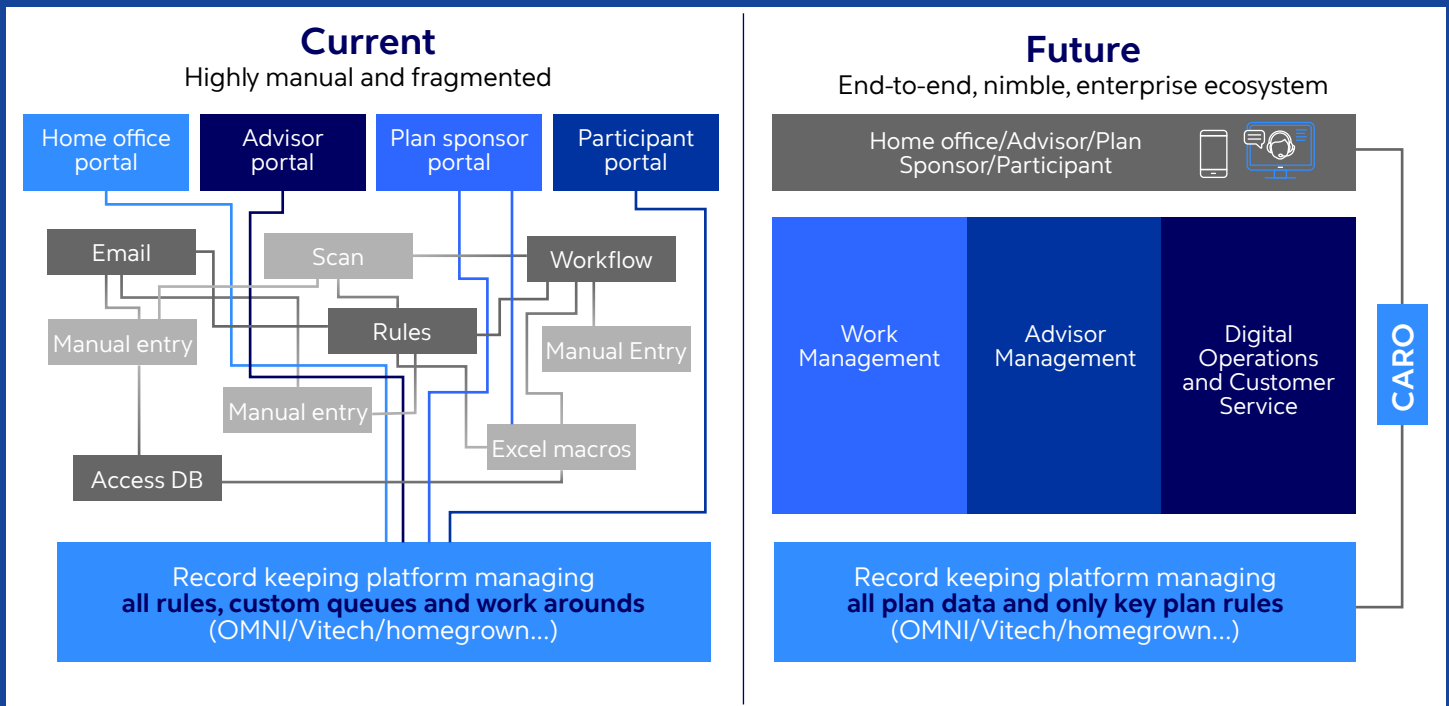


Figure 2

## The four domains of technology-enabled capabilities

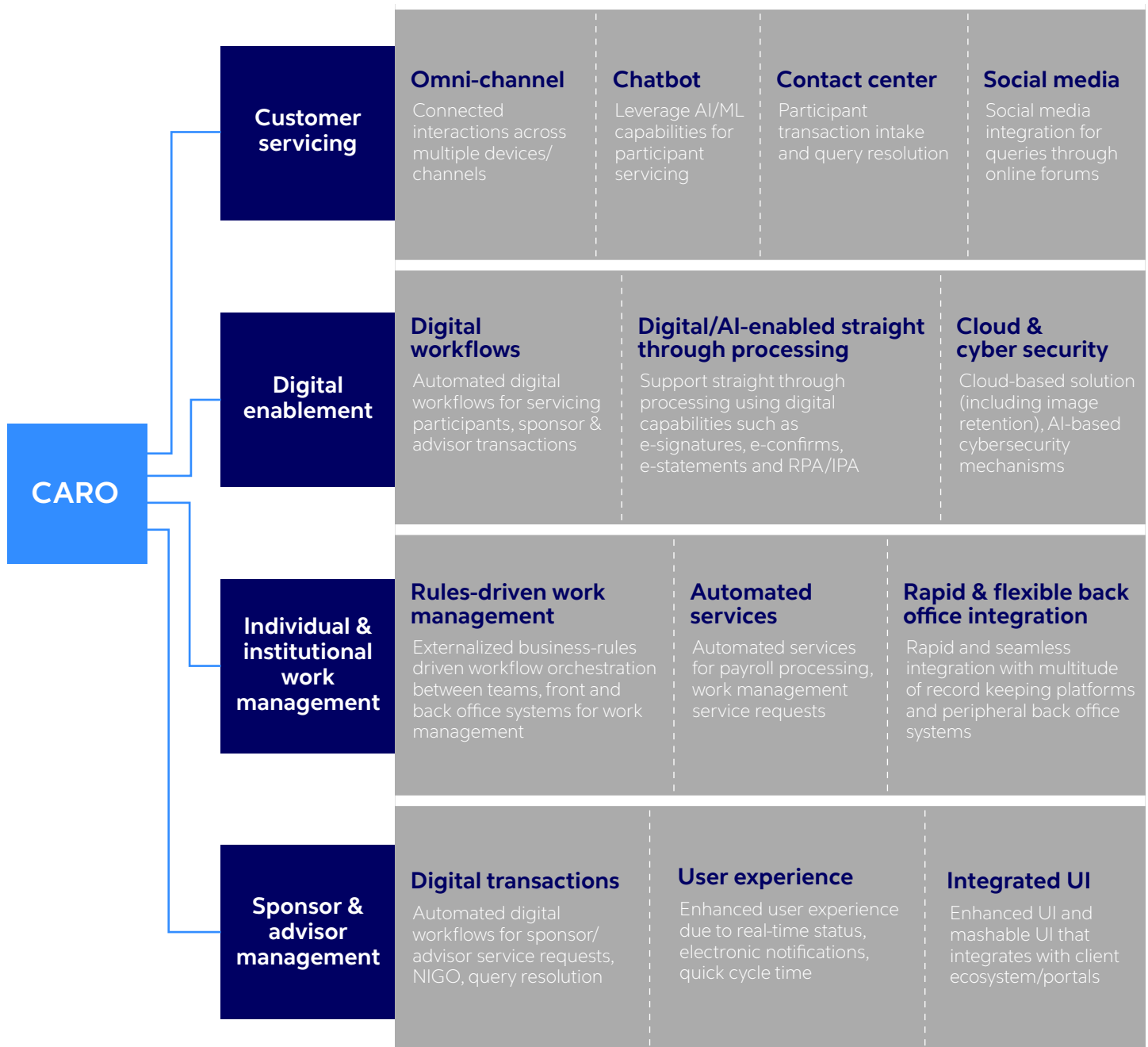


Figure 3

CARO follows a “Retirement out-of-the-box” blueprint, providing a set of core processes and functionalities preconfigured to minimize time to market and increase operational agility (see Figure 4). Integration and automation capabilities are exposed via easy-to-use APIs.

## “Retirement out-of-the-box” blueprint

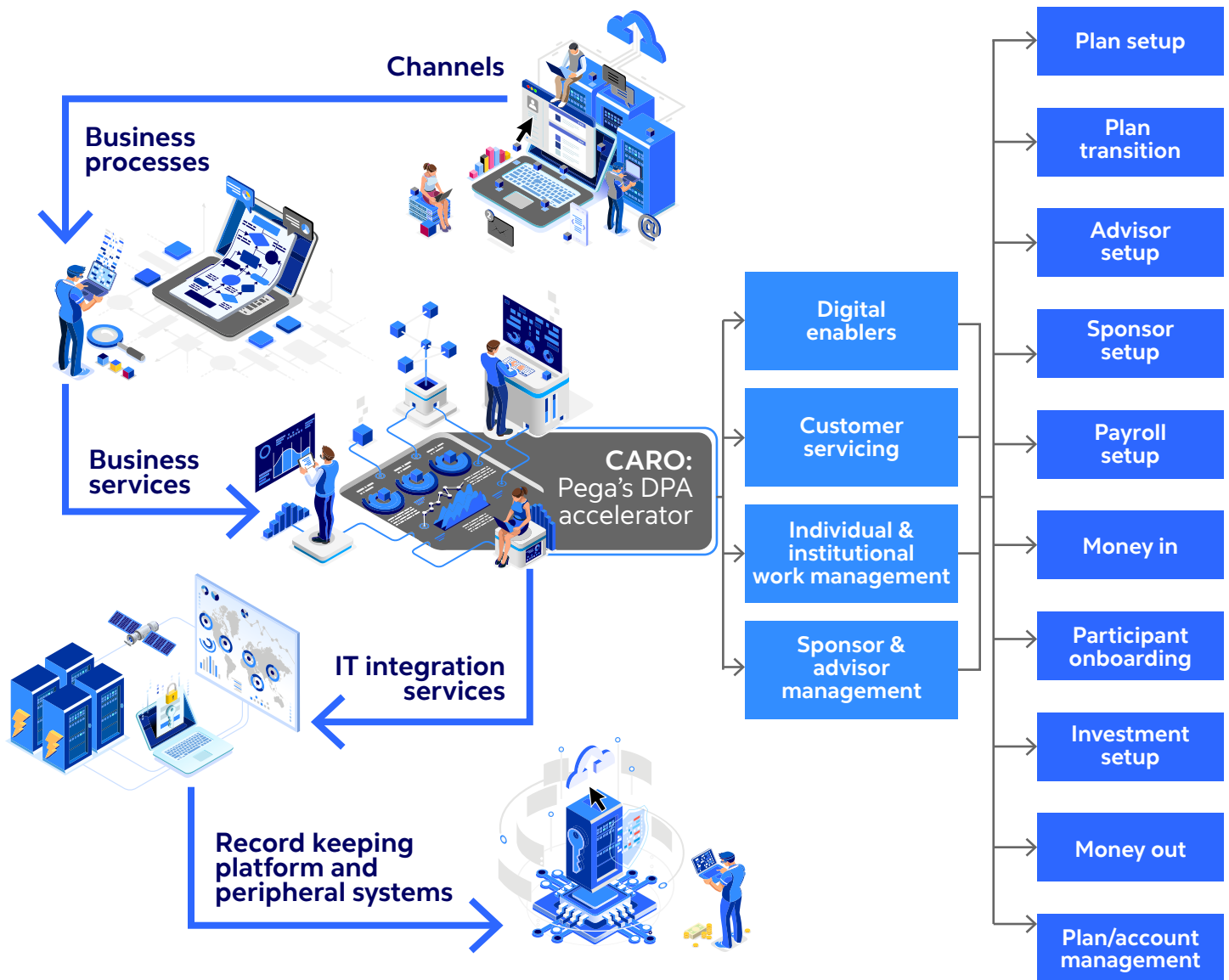


Figure 4



## CARO in Action: Transforming participant termination and withdrawal into client and asset retention

In today's world, when a participant leaves her job, a record keeper often assumes she just wants her money and gives it to her. With CARO, this process will look different; a record keeper will have both the context and data to make sure both the participant's situation and needs are fully understood, the full range of options are presented and, finally, the participant's requested action(s) are acted on efficiently.

Using a predictive model, CARO can anticipate participant separation and trigger a proactive campaign offering education and distribution options (remain in plan, IRA rollover, etc.) with a range of omnichannel follow-up options for the participant. When a participant responds to the campaign, CARO, using Natural



Language Processing (NLP), can auto-generate authorization documentation for one-to-many transactions, in this case, a partial withdrawal and IRA rollover, for the participant to review and e-sign (see Figure 5). Once e-signed, CARO's back-office processing capabilities will update the record-keeping platform, trigger fund processing and issue the new IRA contract automatically.

## Auto-generate authorization documentation

✓ Start Disbursement > **Disbursement Review** > Disbursement Payment > Disbursement Complete

**Approval**  
Please approve or reject this Disbursement

**Review Withdrawal Details**  
Please review the below Withdrawal application and take necessary action

Plan Name	401K Plan
Email address	territurnercaro@gmail.com
Check will be mail to	123 XYZ Lane, Charlotte, NC 28208
Withdrawal Amount	\$100,000.00
Payment Frequency	2
Interest Rate	5.25.00%
Repayment Terms (Months)	24
Total of Payment (Estimated)	\$110,500.00
Initiation Fee	\$150.00
Spouse Approval Required	Yes
I have read and accept Terms & Conditions	✓

Notes\*

Cancel Reject Approve

**Files & documents (6)**

- Your Application Submit Arijt Banerjee • 1mo 10d ago
- Spousal Consent Form 11 Arijt Banerjee • 1mo 10d ago
- Loan Application.pdf Arijt Banerjee • 1mo 10d ago
- Amortization Schedule.g Arijt Banerjee • 1mo 10d ago
- Loan Application.pdf Arijt Banerjee • 1mo 14d ago

**Followers (0)**

No items

**Stakeholders (0)**

No items

Figure 5

## CARO benefits: One scenario

The projected cost benefits of a typical CARO engagement vary according to circumstances, but here's a hypothetical picture:

- 24% to 26% reduced overall cost of participant (CPP).
- 50% improvements in straight-through processing.
  - > 30% with no manual intervention.
  - > 20% with minimum manual touchpoints.
- 25% maintenance cost reduction for a typical mid-sized record keeper.

There's no turning back – the pace of change is accelerating. Rather than relying on legacy systems that reflect the needs of the past, record keepers and retirement providers need to act now to access the digital capabilities that are essential to supporting virtual and distributed work and giving members the experiences they seek.

## For more information

To learn more, visit the [Digital Retirement Solutions](#) section of our website or contact us:

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## About Cognizant

Cognizant (Nasdaq-100: CTSI) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 194 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at [www.cognizant.com](http://www.cognizant.com) or follow us [@Cognizant](https://twitter.com/Cognizant).

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