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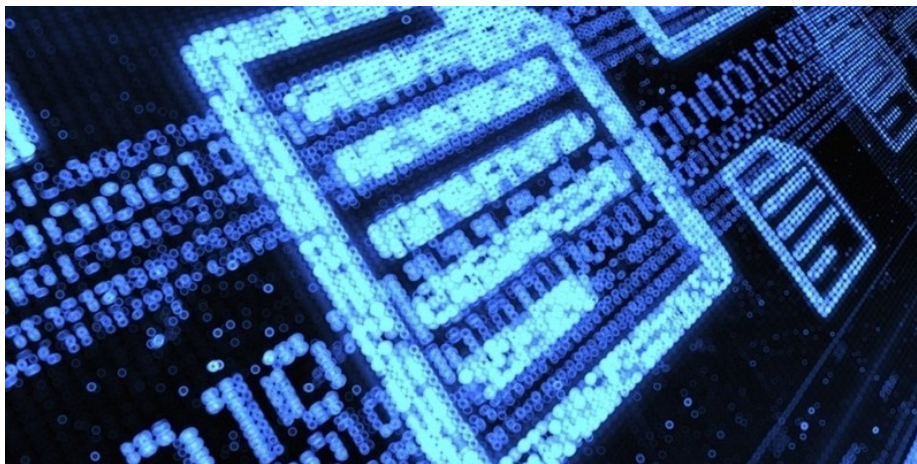
# 401(k) plan advisers take more of an interest in record keepers' cybersecurity practices

Clients also have heightened concerns about securing the personal data of their employees

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By **Greg Iacurci**

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In an era when costly cyberattacks and data breaches are becoming more common, 401(k) plan advisers are beginning to scrutinize data-security practices at record-keeping firms.

“It’s certainly something we haven’t requested detailed information on in the past,” according to Sean Deviney,

more paperless, and sponsors outsource more of the plan services to the vendor and rely on them to protect the data of their employees, we're certainly looking closer at that."

Record keepers are a repository of sensitive personal information: Social Security numbers, date of birth, addresses, as well as a plan's 401(k) account and transactional information, according to Tim Rouse, executive director of The SPARK Institute Inc., a retirement industry trade group comprised of record keepers and consultants.



Hackers also could gain access to an employee's designated beneficiary's personal information, said Aaron Pottichen, principal and retirement services

practice leader at CLS Partners.

While there don't seem to be any publicized data-security failures among major record-keeping firms, **a slew of major corporations** such as JPMorgan Chase, Anthem, Staples, Home Depot and Target have suffered breaches in other parts of their business.

"The threat of a breach is significant," said Jeff Snyder, vice president and senior consultant at Cammack Retirement Group. "It's bound to happen in the retirement space."

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in requests for proposal with clients. Mr. Snyder said. Some items being asked about: what type of data center a record keeper has, how protected it is, how often data is backed up, who has access to the data and user information, and specific procedures if there is a data breach.

Mr. Snyder and his team also conduct more due diligence onsite at record keepers' data centers.

Mr. Deviney said he is currently conducting two RFPs for clients, each with about \$100 million in 401(k) plan assets, that include detailed questions on data security.

Larger plans such as these typically have a more involved RFP process than that for plans with a smaller asset base, and these plans tend to have more sophisticated committees interested in topics such as cybersecurity, Mr. Deviney said. However, it's a trend that will likely hit the small market as well.

"I think everything in this industry trickles downstream," Mr. Deviney said.

The SPARK Institute is undertaking an initiative to develop industry standards and best practices around data security. The end goal is to enlist a third-party entity that could validate that record keepers are compliant with a particular set of standards and well protected against a breach, Mr. Rouse said.

Earning a certification from a third party would aim to satisfy consultants', advisers' and their clients' requirements around data security, and therefore limit the number of security questions necessary during an RFP.

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hackers compromise record keepers' systems, Mr. Rouse said. Data security questions in RFPs used to be fairly limited, but now can occupy 12-13 pages of the document, Mr. Rouse said.

"I think it's something advisers need to address," Mr. Pottichen said.

Although the extent to which a conversation about data security is had depends partly on a client's interest in it, by not broaching the topic an adviser "could potentially be leaving a very big hole in a recommendation" to a client, Mr. Pottichen said.

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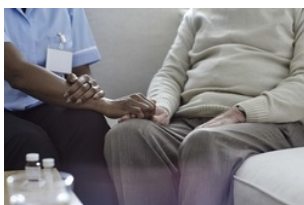
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