Automatic Enrollment

Benefits And Considerations For Plan Sponsors

Standard Retirement Services, Inc.
Automatic Enrollment Brochure

Automatic Enrollment

What Is It? How Can It Benefit Your Plan?

Automatic Enrollment Works

The Department of Labor estimates that one-third of eligible employees do not participate in their company's 401(k) plan, and that automatic enrollment could result in a 90 percent participation rate. It also can make a tremendous difference in retirement accumulations. Research results released in 2010 by the Employee Benefits Research Institute found that lower income workers in automatic enrollment 401(k) plans would accumulate by retirement an amount about five times their annual earnings. In plans that don't have automatic enrollment, lower income workers would accumulate by retirement an amount less than their annual earnings.

Thinking about establishing a retirement plan? Or maybe you made that decision years ago, and your retirement plan has been running smoothly for some time.

In either case, the plan is ultimately about helping your employees reach their retirement goals. The Standard's flexible plan design helps ensure you will be able to offer a retirement plan solution that will achieve the goals of your employees, and of your organization.

It doesn't matter if your plan is new or has been around for awhile; if employees don't participate, they can't benefit. And if they join but don't contribute enough, they are unlikely to meet their retirement goals.

How Can You Help? Add An Automatic Enrollment Feature.

Automatic enrollment: bringing retirement goals closer

- What is the default contribution rate?
  Note: for safe harbor (Qualified Automatic Contribution Arrangement, or QACA) status, minimum default contribution rate must be at least 3 percent and cannot exceed 10 percent of compensation.

Will the plan include automatic contribution increases?
Even when there are long-term benefits, many of us are reluctant to endure short-term discomfort. A slightly smaller paycheck can seem more important than a higher retirement account balance, especially when retirement seems so far away. Sometimes employees can't visualize how joining the plan will help them realize their dreams. Maybe they're intimidated because they believe joining the plan is hard. Or maybe they simply haven't gotten around to it.

Recognizing these roadblocks to retirement security, the federal government enacted the Pension Protection Act of 2006. The PPA paved the way for employers to add an automatic enrollment feature in their defined contribution plans. If your plan meets certain conditions, you can automatically enroll employees in the plan. You can even provide for automatic contribution increases that allow employees to put away a larger percentage of their pay each year. Of course, employees may choose a different contribution percentage, or elect not to participate at all. But by taking advantage of these provisions, you can help employees maximize their account balances and bring them closer to their retirement goals.

Thinking About An Auto Enrollment Plan?

Here Are Some Things To Consider

Adding an automatic enrollment feature to your new or existing defined contribution plan does not need to be difficult. There are a few simple steps to take and decisions to make, but the experts at The Standard are ready to guide you through the process. Together, we can make a difference in the lives of your employees.

What will you need to do?

Working together with The Standard, you'll need to:

- Amend the plan
- Provide participant notices
- Review employee data and send to The Standard
- Include contribution rate information with each payroll submission to The Standard

To add an automatic enrollment or automatic contribution increase feature, your plan needs to be amended. We can provide the necessary documents to make sure the plan maintains its qualification.

To explain new features to employees such as being able to choose a different contribution percentage or opt out of the arrangement, please distribute automatic enrollment information that we'll provide you. The Special Notice and Plan Overview, included in the enrollment booklet and available on Personal Savings Center, describe these and other important features.

If your plan allows employees to begin participating immediately upon employment, we will need your assistance with automatic enrollment notifications as your new employees will not yet be in our system.

Offering automatic enrollment requires a few simple steps: provide us with participant eligibility data, offer online enrollment and indicate your willingness to receive email notifications about the plan from us.

At The Standard, our processes and systems make it easier to enroll participants and give them the information they need. We're beside you every step of the way.

With just a little extra effort, you can increase the likelihood that your valued employees will enjoy a secure retirement. And with a properly designed plan, you can even avoid some of the annual testing usually required for qualified retirement plans.

Further Considerations

Some Of The Details

Because of the Pension Protection Act of 2006, you can include provisions in your 401(k) or 403(b) plan that meet the requirements of a safe harbor arrangement. The arrangement, known as a Qualified Automatic Contribution Arrangement, or QACA, enables you to avoid some of the testing that is normally required.

Qualified Automatic Contribution Arrangement (QACA)

A QACA is a safe harbor design that eliminates the need to perform the actual deferral percentage (ADP) and actual contribution percentage (ACP) testing. By choosing a QACA design, the plan will also avoid the sometimes troublesome top-heavy requirements.

What provisions make the plan a QACA?

- All eligible employees must be subject to the plan's automatic deferrals, except those who have already made a deferral election.
- The default contribution rate must be at least 3 percent of compensation for all eligible employees, and cannot exceed 10 percent.
- The employer contribution may not be subject to hardship withdrawals.
- The employer must contribute at least 3 percent of compensation or a prescribed matching contribution for each participant.
- Employees may avoid the default contribution percentage by opting for a different amount or opting out of participation entirely.
- Participants must receive notice about their enrollment and subsequent contributions before each plan year.
- The employer contribution is fully vested for any participant with at least two years of service.
- The default contribution rate must increase regularly to at least 6 percent in the fifth year.

Eligible Automatic Contribution Arrangement (EACA)

The Eligible Automatic Contribution Arrangement, or EACA, is a flexible way to incorporate automatic contributions into a plan. Since it is not considered a safe harbor arrangement, it is still subject to the full testing requirements of other qualified plans. It can be used for 401(k), 403(b) and governmental 457(b) plans.

What makes the plan an EACA?

- Like a QACA, the default contribution in an EACA can be increased and still be considered uniform for all eligible participants, unless participants elect another amount or opt out.
- Also like a QACA, all eligible employees must be subject to the automatic deferrals, except those who have already made a deferral election.
- Unlike the QACA, EACA plans may allow participants to withdraw certain contributions without a penalty. Within 90 days of the contribution, employees may elect to withdraw the amount contributed, and include it in compensation for tax purposes. No penalty tax for early withdrawal will be imposed in those circumstances.
- Participants in an EACA plan must be notified of the automatic enrollment, contributions and their right to opt out. The notice must also provide information about the investment of any default contributions.
- In general, if all plan participants are covered by the EACA, the corrective distribution period for ADP and ACP test failures is extended from two and a half months to six months.

Easy Implementation

Through our processes and systems, The Standard's services make it easy to enjoy the benefits of an automatic contribution arrangement. An automatic contribution arrangement (ACA) is one way you can encourage your employees to grow their retirement investments, bringing them closer to a secure future.

For more information about helping your employees build retirement security through an automatic contribution arrangement, contact your relationship manager at 877.805.1127.

Notices

Notices must be given to participants describing the plan's automatic enrollment features. We can prepare the notice and make it available on the participant website, let you know when it must be distributed and help you implement participant directions.

Plan Type	Notice	What The Standard will do	What Plan Sponsor must do
EACA, QACA	EACA	Prepare Special Notice and Plan Overview 30-60 days before plan year begins. Make available on Personal Savings Center and PlanNet, and in enrollment books, if used. Hard copy provided upon request.	Make sure notice is given to all eligible participants at least 30 days prior to beginning of plan year, or 30 days before eligibility (or as soon as administratively possible). The Standard may assist upon request.
		Place automatically enrolled participants in QDIA until participant directs otherwise via Personal Savings Center website.	
		Send email to sponsor 20 days before entry date if employees are due to be automatically enrolled. Provide Contribution Rate Report with details for plan sponsor on Participant Data Management site. Send reminders weekly to sponsor.	Review Contribution Rate Change Report. Deliver enrollment kits to new participants. Update payroll files using Contribution Rate Change Report and any data received from participants.
		Provide Contribution Rate Change Confirmation Letter to participants who contact call center to change or opt out, if applicable.	
		Send First Money Letter to new participants immediately after first contribution received.	
		Notify participants of pending automatic contribution rate increases via U.S. mail 45 days before automatic increase date.	
		Send Automatic Contribution Increase Opt Out Letter to participants who call contact center to discontinue contributions or maintain their current contribution rate.	Advise The Standard of participant requests.

Plan Type	Notice	What The Standard will do	What Plan Sponsor must do
EACA, QACA	QDIA	Prepare Special Notice and Plan Overview 30-60 days before plan year begins. Make available on Personal Savings Center and PlanNet, and in enrollment books, if used. Hard copy provided upon request.	Deliver notices to all eligible participants 30 days prior to start of plan year or eligibility. The Standard may assist upon request.
		Place automatically enrolled participants in QDIA until participant directs otherwise via Personal Savings Center website.	
EACA, QACA	Safe Harbor	Prepare Special Notice and Plan Overview 30-60 days before plan year begins. Make available on Personal Savings Center and PlanNet, and in enrollment books, if used. Hard copy provided upon request.	Deliver to all eligible participants 30 days prior to start of plan year or eligibility. The Standard may assist upon request.

Plan sponsors and participants should carefully consider the investment objectives, risks, charges and expenses of the investment options offered under the retirement plan before investing. The prospectuses for the individual mutual funds and each underlying investment option in the group annuity contain this and other important information. Prospectuses may be obtained by calling 877.805.1127. Please read the prospectus carefully before investing. Investments are subject to market risk and fluctuate in value.

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