

Automatic Enrollment Communication



What is Changing?

Starting in 2025, most 401(k) and 403(b) plans created after December 29, 2022, will be required to include automatic enrollment as a plan feature. There are limited exceptions to this requirement, including church and governmental plans, plans sponsored by entities that have been in business for fewer than three years; and plans sponsored by employers that “normally employ” no more than 10 employees.

What is Required?

Covered plans must implement the automatic enrollment arrangement by the beginning of their 2025 plan year. The arrangement must meet the following requirements:

- Employees are automatically enrolled to contribute between 3% and 10% of their pay.
- The participant contributions will then increase by 1% each year to at least 10% and not more than 15%.
- Employees must have the option to opt out of the plan completely or change their contribution rate.
- The plan must offer employees who are automatically enrolled a period of 90 days to stop contributions and take the automatic contributions out of the plan.

What Options Do I Have?

- Let us know if you are currently exempt from the mandate.
- Add an Eligible Automatic Contribution Arrangement to your plan and keep everything else about your current plan design the same.
- Modify your existing plan design to be a Qualified Automatic Contribution Arrangement safe harbor plan.

Eligible Automatic Contribution Arrangement

(EACA) Only

- Employees may withdraw deferrals in 90 day period
- 3-10% minimum starting auto-deferral, escalation of 1% per year to 10-15%
- Option to opt out
- Notice given when initially eligible and annually thereafter
- Employer contribution is permitted; no required design; may be combined with non-QACA safe harbor
- If combined with non-QACA safe harbor design; safe harbor contributions must be 100% vested

Qualified Automatic Contribution Arrangement

(QACA) Safe Harbor

- Employees may withdraw deferrals in 90 day period
- 3-10% minimum starting auto-deferral, escalation of 1% per year to 10-15%
- Option to opt out
- Notice given when initially eligible and annually thereafter
- Employer contribution may be either 3% nonelective contribution or a match of at least 100% of first 1% deferred plus 50% of next 5% deferred (3.5% match total)
- May impose 2-year vesting schedule on these safe harbor contributions

What You Need to Do

Because your 401(k) or 403(b) plan was established after December 29, 2022, you must include an automatic enrollment feature in your plan unless you determine that you are exempt.

Exemption

(Complete only if you have determined your plan is exempt from automatic enrollment; otherwise leave this section blank and proceed to next section.)

I have determined that the plan is exempt from the automatic enrollment mandate due to the following:

- The company, including any related employers, normally employs fewer than 10 employees.
- The company has been in existence for fewer than 3 years. Please provide date of creation:
- Other:

If you indicate you are exempt, you are responsible for notifying us if/when your plan becomes subject to the mandate.

No Exemption – Automatic Contribution Elections

Select either Eligible Automatic Contribution Arrangement (EACA) or Qualified Automatic Contribution Arrangement (QACA):

1. EACA: I wish to add the required automatic enrollment feature effective for my 2025 plan year, as elected below, and make no other revisions to my plan design at this time.

A. No Auto-Escalation:

Eligible employees will be automatically enrolled at 10% of pay and will not automatically change.

B. Auto-Escalation:

Participants will be automatically enrolled into the plan at _____ % of eligible compensation *(choose a percentage between 3% and 10%)*. Each year a participant's automatic contributions will increase by 1 percentage point *(choose one)*:

- i. On the participant's anniversary of participation
- ii. On the first day of the plan year (beginning with the plan year that starts after the first anniversary of participation)

Until the participant's contribution rate reaches _____ % *(choose a percentage between 10% and 15%)*

2. QACA: I wish to add the required automatic enrollment feature, as elected below, and change to a QACA plan design effective for my 2025 plan year.

Automatic Deferral Elections *(complete A or B)*

A. No Auto-Escalation:

Eligible employees will be automatically enrolled at 10% of pay and will not automatically change.

B. Auto-Escalation:

Participants will be automatically enrolled into the plan at _____ % of eligible compensation *(choose a percentage between 3% and 10%)*. Each year a participant's automatic contributions will increase by 1 percentage point *(choose one)*:

- i. On the participant's anniversary of participation
- ii. On the first day of the plan year (beginning with the plan year that starts after the first anniversary of participation)

Until the participant's contribution rate reaches _____ % *(choose a percentage between 10% and 15%)*.

Exception—If a participant had an election in a CODA prior to the effective date of the QACA, then it counts as an affirmative election.

Safe Harbor Contribution Elections *(complete A and B)*

A. Contribution Amount: I elect to make safe harbor contributions equal to *(choose one)*:

- i. 3% nonelective contribution
- ii. Matching contributions equal to 100% of first 1% and 50% of the next 5%
- iii. Matching contributions equal to: _____ *(complete with formula; must be at least as generous as ii. at each level of deferrals)*

B. Contribution Vesting: For employees first receiving safe harbor contributions in 2025 or later, safe harbor contributions will vest as follows *(choose one)*:

- i. 2-year cliff vesting (0% vested until participant earns 2 years of service, then 100% vested)
- ii. 100% vested immediately

I understand that I am responsible for providing the participant notices required under 1. or 2.

Company Name

Signature

Date