



## Automatic Enrollment

**Help your employees get ahead by establishing an automatic enrollment feature.**

The average employee does not save enough for retirement. As a plan sponsor, you can make a difference. The automatic enrollment feature offered in Workplace Retirement Plans can help employees save more. It's gaining popularity as 64% of Workplace Retirement Plans utilize this feature. The SECURE 2.0 Act also requires automatic enrollment for newly established plans. Adding automatic enrollment will not only keep your plan compliant, it will help secure a financial future for your employees.

### Automatic Enrollment

- Newly eligible participants that do not enroll on their own are enrolled at a level as specified by the plan

### Automatic Escalation

- Participants who have been automatically enrolled will have their contribution rate gradually increased until a specific contribution rate is achieved.



### Is automatic enrollment right for your employees?

Instant gratification, perceived costs, decision paralysis, and procrastination are just some of the reasons employees decide not to save in their Workplace Retirement Plan.

With automatic enrollment, employees are more likely to start saving sooner with an appropriate investment strategy. In fact, participants are more likely to opt-out of the plan when automatic enrollment features are not in place.

Adding an automatic enrollment feature and communicating plan details can get employees onto the right path for retirement.

### Considerations

- With all automatic enrollment features, participants must be notified ahead of time to have the opportunity to self-enroll or opt-out.
- Plan document must include, or be amended to include, the Automatic Enrollment features. Talk to your BPAS Representative for next steps.
- A QDIA (Qualified Default Investment Alternative) is recommended to ensure the suitability of participant investments. Work with your Financial Intermediary to determine the most appropriate QDIA.

## Automatic Enrollment Options

|   | Automatic Contribution Arrangement (ACA)  | Eligible Automatic Contribution Arrangement (EACA)   | Qualified Automatic Contribution Arrangement (QACA)  |
|---|---|--|--|
| <b>Automatic Enrollment Contribution Rate</b> | No minimum or maximum   | <ul style="list-style-type: none"> <li>For plans established prior to 12/29/2022: 1% or higher</li> <li>For plans established on or after 12/29/2022: 3% minimum, 10% maximum</li> </ul> | 3% minimum, 10% maximum  |
| <b>Automatic Escalation Target Rate</b>       | Permitted to any target rate, but not required  | <ul style="list-style-type: none"> <li>For plans established prior to 12/29/2022: Not required</li> <li>For plans established on or after 12/29/2022: 10% - 15%</li> </ul>               | <ul style="list-style-type: none"> <li>For plans established prior to 12/29/2022: 6% - 15%</li> <li>For plans established on or after 12/29/2022: 10% - 15%</li> </ul> |
| <b>Employer Contributions</b>                 | Optional. Regular plan vesting applies.   | Optional. Regular plan vesting applies.  | Mandatory Safe Harbor employer contribution: basic match, enhanced match, or non-elective. 2 year vesting schedule.  |
| <b>Compliance Testing</b>                     | No changes  | Corrections to failed ADP/ACP testing have an extended time frame of 6 months instead of 2.5 months.   | If employer contribution and vesting schedule above apply, QACA satisfies ADP/ACP and top-heavy compliance testing.  |
| <b>Implementation</b>                         | Can be added at any time during the plan year   | May only be added the first day of the plan year. Exception for newly established plans.   | May only be added the first day of the plan year. Exception for newly established plans.   |
| <b>Permissible Withdrawals</b>                | Not available   | Optional. If established, must be no shorter than 30 or longer than 90 days after first contribution.  | Optional. If established, must be no shorter than 30 or longer than 90 days after first contribution.  |
| <b>Participant Notifications</b>              | All options require participant notifications prior to the automatic enrollment effective date (i.e., the plan entry date or another date as established under the terms of the plan). 30 days notice prior to the auto enrollment effective date is a best practice. Annually, notification must be provided 30-90 days prior to plan year. For plans using Full Online Enrollment feature, an initial letter from BPAS notifies applicable participants that they will be automatically enrolled. |  |  |

**Ready to get started?**



Contact your BPAS Plan Consultant or email [TrustSales@bpas.com](mailto:TrustSales@bpas.com)



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