



Automatic Enrollment

OVERVIEW

For Plans with an Automatic Enrollment provision, eligible individuals who do not decline participation or make affirmative enrollment elections are automatically enrolled into the Plan:

- At the Plan's default participant contribution rate or percentage.
- Into the Plan's default investment option.

If the Plan's Automatic Enrollment provisions allow for a permissible withdrawal period, a participant who is automatically enrolled may cancel participation in the Plan and request a withdrawal of any contributions deposited as a result of being automatically enrolled. Plan provisions define the number of days allowed for the permissible withdrawal period.

NOTE: Permissible withdrawals are only available for Eligible Automatic Contribution Arrangements (EACAs) and Qualified Automatic Contribution Arrangements (QACAs).

If the Plan's Automatic Enrollment provisions include automatic contribution increases, then automatically enrolled participants' contributions are automatically increased on an annual basis up to a maximum deferral percentage as directed by the Plan.

Mandatory Automatic Enrollment

Under Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 regulations. Retirement Plans that meet the following criteria are required to implement a Mandatory Automatic Enrollment provision for their Plan participants:

- Plan established after 12/29/2022
- Start up 401(k) or ERISA 403(b) Plans with at least 10 employees
- The sponsoring company or entity has been in business for at least three years

The following types of Plans are excluded from Secure Act 2.0 Mandatory Automatic Enrollment:

- Small business (10 or less employees)
- Church Plans
- Government Plans
- SIMPLE 401(k) plans
- Puerto Rico Only Plans
- New business in existence less than three years.

Plans subject to Mandatory Automatic Enrollment must adopt to the following automatic enrollment provisions:

| Provision | Description |
|---|---|
| Automatic Contribution Arrangement (ACA) Type | <ul style="list-style-type: none">• Plans may choose to implement either of the following ACA types:<ul style="list-style-type: none">– Eligible Automatic Contribution Arrangement (EACA)– Qualified Automatic Contribution Arrangement (QACA)• With either of the selected ACA types, the Plan must allow a permissible withdrawal period whereby a participant who is automatically enrolled may cancel participation in the Plan and request a withdrawal of any contributions deposited as a result of being automatically enrolled. |
| Default Deferral Percentage | At least 3% but not greater than 10% |

| Provision | Description |
|-------------------------------|---|
| Permissible Withdrawal Period | At least 30 but no more than 90 days from the participant's automatic enrollment Plan entry date. |
| Default Investment Option | Plan must establish a Qualified Default Investment Alternative (QDIA) as the default investment option for automatically enrolled participants. |
| Automatic Increases | <ul style="list-style-type: none"> • Mandatory Automatic Enrollment regulations require that automatically enrolled participants have their deferral automatically increased over time. • Rate: 1% each year until 10%, but not more than 15% • 1st Auto Increase Effective Date Options: <ul style="list-style-type: none"> – Starting in year 2 on the Plan year start date. – Starting in year 3 on the Plan year start date. |

Mandatory Automatic Enrollment Population

Plans may choose to apply Mandatory Automatic Enrollment provisions to any of the following types of eligible participants:

| Population | Description |
|--|---|
| Election lower than the initial automatic deferral percentage | <ul style="list-style-type: none"> • Eligible employees with a combined Pre-tax, Roth and Age Catch-up deferral percentage that is less than the automatic enrollment default deferral percentage • This option includes participants with a deferral percentage of 0% in both Pre-tax and Roth contribution sources, where applicable. • Includes newly eligible employees going forward. |
| No existing salary reduction agreement | <ul style="list-style-type: none"> • Eligible employees who do not have either a Pre-tax or Roth deferral election on file starting on the automatic enrollment effective date. • Includes newly eligible employees going forward. |
| No existing salary reduction agreement AND participants who have selected zero deferrals | <ul style="list-style-type: none"> • Eligible employees with a combined Pre-tax, Roth and Age Catch-up deferral election on file AND have zero deferrals on file starting on the automatic enrollment effective date. • Includes newly eligible employees going forward. |
| All participants regardless of existing deferrals | <ul style="list-style-type: none"> • Eligible employees regardless of any existing deferral elections. • All deferrals that exist are replaced with the automatic enrollment default deferral rate, even if the participant's elected deferral is greater than the Plan's designated automatic enrollment default deferral rate. • Includes newly eligible employees going forward. |

Notice Requirements

Newly eligible individuals must be notified at least 30 (but no more than 90) days in advance of their automatic enrollment entry date to allow individuals to opt-out of the Automatic Enrollment process.

When the Plan's Automatic Enrollment provisions include a permissible withdrawal period or automatic contribution increases, these additional details must be included in initial notices as applicable:

Automatically enrolled participants must also receive annual notifications informing them of the applicable Automatic Enrollment provisions, including scheduled increase details as applicable.

Notice Fulfillment

With ACA Notice Services

When notice services are active, Empower distributes ACA notices as follows:

- **Initial notices:** Newly eligible individuals a minimum of 30 days in advance of their automatic enrollment entry date.
- **Annual notices:** Automatic enrollment population prior to the beginning of each plan year.

Without ACA Notice Services

When notice services are not active, the Plan Administrator retains responsibility for:

- **Initial notices:** Producing initial automatic enrollment notices and distributing to impacted individuals.
- **Annual notices:** Producing annual automatic enrollment notices and distributing to impacted individuals.

Participant Experience

When newly eligible individuals receive an initial notice indicating they will be automatically enrolled into the Plan, they can then take one of the following actions before their automatic enrollment entry date:

- Choose contribution rate/percentage and investment options.
- Decline participation or set contribution to 0.

When the Plan's Automatic Enrollment provisions include permissible withdrawals, individuals may:

- Decline participation before the end of the permissible withdrawal period.
- Request a withdrawal of contributions deposited during that period.

NOTE: Participants who take any of these actions are removed from the automatic enrollment population and excluded from any future automatic contribution increases if applicable to the Plan.

Individuals who do not take any action are automatically enrolled into the Plan once the opt-out period expires.

Deferral Feedback

The Deferral Feedback report identifies all types of participant deferral changes. The Plan Administrator uses this report to make the necessary payroll adjustments needed in order to begin or change participant payroll deductions.

Empower reports the following types of deferral changes resulting from automatic enrollment activities on the Deferral Feedback report:

- Individuals who are to be automatically enrolled at the Plan's default contribution rate.
- Individuals who opt-out of automatic enrollment or change their contribution rate to 0.
- Participants who make a different deferral election and are subsequently removed from the automatic enrollment population.
- Participants who are scheduled to automatically increase their contribution according to the Plan's automatic enrollment provisions when applicable.

Deferral Feedback reports are scheduled to coincide with a Plan's payroll frequency and to allow for an administratively feasible amount of time for the Plan Administrator to update contribution elections in their payroll system (or through their payroll provider) and report back on the next scheduled payroll/contribution submission. See Participant Contributions for additional information.

Additional Considerations

Re-hires/Re-instatements:

The following outlines how Empower processes automatic enrollment provisions for individuals who have been terminated and re-hired:

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- Participants will be auto enrolled upon rehire unless the Plan Administrator directs otherwise in a separate election (removing this option is not available for QACA Safe Harbor Plans).
 - Participants who were considered auto enrolled at the time of their termination will be reinstated upon rehire if rehired within one full plan year, unless the Plan Administrator directs otherwise in a separate Plan provision election (removing this option is not available for QACA Safe Harbor Plans).

QACA Considerations

For Plans offering a QACA, the Plan Administrator must begin automatic contributions for eligible participants under the QACA by the earlier of 1) the pay date for the second payroll period that begins after the notice is provided or 2) the first pay date that occurs at least 30 days after the notice is provided.

Since the administration services provided by Empower for QACA are impacted by Plan eligibility and entry date requirements, the timing of the notice provided to participants, and the payroll frequency established by the Plan Administrator with respect to certain eligible participants, the contribution rate start date provided by Empower in any report may not align with these requirements and instead is based on a date 30 days following date of eligibility.

The non-discretionary recordkeeping and administrative services described in this Service Overview are general in nature and reflect the standard service offering. Service descriptions are not specific to any Plan provision or administration practice. The recordkeeper may agree to provide an alternate service arrangement, as applicable, if separately requested by the Plan Sponsor. FOR ADVISOR/PLAN SPONSOR OR TPA USE ONLY. Not for use with Plan Participants.