

Congratulations on considering the AutoEnroll program! The AutoEnroll program will help you assist your ministry employees in reaching a financially-secure retirement.

The following information will help guide you through the decisions necessary to implement and administer the AutoEnroll program. AG Financial staff members are part of your team to assist in these processes.

Please be sure to read the informational flyer, "Welcome to Automatic Enrollment" in order to understand exactly what the program is designed to do.

PROGRAM POLICIES

Decisions should be made on what your ministry's overall policies are for AutoEnroll.

- **Who is eligible to be auto-enrolled?** This decision should be made in conjunction with your policy on who is currently eligible for elective deferrals. It is recommended that all full-time and part-time employees who are eligible to make elective deferrals be able to participate in AutoEnroll.
- **When is an employee first eligible for AutoEnroll?** It is recommended that employees be auto-enrolled when they are first eligible to make elective deferrals.
- **What is the default percentage for elective deferrals under AutoEnroll?** It is recommended that the initial default percentage be large enough to make a difference, but small enough to discourage an employee from opting out from the program. A 3% default deferral rate is common among plans using auto enrollment.
- **Will you offer additional features that encourage increased elective deferrals in the future?** The initial default percentage is usually not large enough by itself to provide for a financially-secure retirement. In addition to allowing increased elective deferrals within your current policies, two program options for increased deferrals exist:
 - AutoIncrease allows for automatic increases in the elective deferral rate. AutoIncrease may be done at the beginning of each year, on the employee's anniversary date, tied to pay increases, or set on some other date or event. It is recommended that each AutoIncrease percentage be at one percentage point of compensation. The total default percentage should never exceed 10% of compensation (however, active elections should be allowed to go as high as desired as long as it does not exceed legal maximums).
 - QuickIncrease is a simplified method of allowing an employee to increase elective deferrals. This allows employees to check a box on a form that is presented to them at particular times (e.g., beginning of each year, on their anniversary date, at a time of a pay increase). The form encourages increased participation without a lot of time involved.
- **Will you make AutoEnroll and/or any other program options part of the retirement program for existing employees?**
- If you make an employer contribution that matches some elective deferrals, you should consider the financial impact that this program may have on your ministry.

The official board of your ministry should approve all program policies that affect participation.

Some states have laws which prohibit employers from deducting amounts from employees' pay without written authorization. These laws are usually directed at items such as business expenses, professional and membership fees, and similar items. In our opinion, these laws are not aimed at retirement accounts that benefit employees and are in the employees' own names. Consider the following:

- IRS approved automatic enrollment in 403(b) plans in Revenue Ruling 2000-35.
- The Pension Protection Act (PPA) of 2006 preempts all state laws that attempt to regulate automatic enrollment and withholding from employee paychecks for ERISA-regulated plans. Though MBA's plan is not regulated by ERISA, PPA sets a precedent for all automatic enrollment features. Automatic enrollment had been implemented by many businesses prior to the enactment of PPA.

- There have been no court cases challenging automatic enrollment
- Each employee has the ability to choose to opt-out or change the percentage of their deferrals to the Select Retirement Plan. Annual communication reinforces this ability.
- It is in the states' and publics' interest to encourage saving for retirement.

You should investigate the issue of your state's laws before implementing an auto enroll program.

INITIAL ELECTIVE DEFERRALS

Once AutoEnroll has been implemented, IRS requires you to give an "effective opportunity" for employees to opt out of the program or to change the default percentage. The effective opportunity applies only to employees who have not actively chosen to enroll in the plan. The effective opportunity notice must include the following:

- Employees must receive prior notice of the automatic enrollment feature including procedures on how to opt out of the enrollment.
- Employees must be given a reasonable period of time to exercise their right to opt out.
- Ability to change or stop the election.
- The deferral percentage.
- The automatic increases in the deferral percentage (if this is a feature you offer).

A similar effective opportunity must be given before an AutoIncrease is scheduled.

IMPORTANT: *For an automatic enrollment program to be effective, it is imperative that the opt out form not be presented to employees unless they request it.*

In addition to the IRS requirements, MBA requires a signature on the notification for enrollment purposes.

See the sample initial notification and sample opt out form.

COMMUNICATION WITH MBA

MBA will need certain information from you in order to enroll an employee in the plan. The following will be needed whenever someone new is eligible to participate in the plan:

- An MBA-supplied form with certain information that is required for enrollment (legal name, Social Security number, home address, birth date, date of hire).
- A copy of the effective opportunity notification.
- The signature of the employee on a form that is mutually agreed upon by you and MBA.

These items may be sent to MBA electronically or by mail.

ANNUAL NOTIFICATION

The IRS requires you to give an annual effective opportunity to opt out of the AutoEnroll program. This annual notification must contain the same information that is listed in the bullet points under "Initial Elective Deferrals". It is recommended that this notification be sent to the employee no sooner than twenty-eight days nor later than fourteen days before the date to opt out of the program.

See the sample annual notification.

OTHER INFORMATION

Ongoing education and communication is vital to an effective AutoEnroll program. MBA will provide the following support in your AutoEnroll program:

- Guidance in establishing your AutoEnroll policies.
- Ongoing assistance in administration of the program.
- Employee communication materials.
- Employee education materials.