



Automatic Increases in an Automatic Enrollment Program

WHAT IS THE AUTOENROLL WITH AUTOINCREASE FEATURE DESIGNED TO DO?

Due to inertia, lack of knowledge, or a number of other reasons, employees often do not take the necessary steps to ensure that they will have a financially independent retirement.

The AutoEnroll feature in your retirement plan is the first step to putting your employees on a path to a secure retirement. However, the initial automatic deferral rate will not get them to this goal. The AutoIncrease feature is a tool that helps your employees defer more for retirement while not overwhelming their current financial situation.

HOW DOES THE AUTOINCREASE FEATURE WORK?

An employee who has not opted out of the AutoEnroll program is given a periodic automatic increase in the deferral rate to their retirement account at a specified time or event. The automatic increase happens until the employee opts out of the program, makes an active election of a certain percent, or reaches a maximum total automatic deferral percentage. The employee must be given a chance to opt out of having the increased deferral take effect.

WHAT SHOULD BE CONSIDERED WHEN IMPLEMENTING THE AUTOINCREASE FEATURE?

- **What is the financial impact for our ministry?** If you provide an employer matching contribution on a portion of the deferrals, your total participation rate will probably increase.
- **Who is eligible for the AutoIncrease feature?** It is recommended that anyone eligible for AutoEnroll should be eligible for the AutoIncrease feature.
- **What will be the automatic deferral rate increases?** You should consider items such as the impact the increase will have on the employees' finances, how it will affect retirement balances (the more and earlier it is saved, the more it will compound), and how soon you want to achieve the maximum auto deferral rate. It is recommended that you consider a 1% deferral rate increase due to its minimal impact on an employee's take-home pay but substantial enough to make a difference in the long-term retirement balance.
- **What will be the maximum automatic deferral rate?** It should be large enough to assist your employees in reaching a financially-secure retirement. The maximum auto deferral rate should be no more than 10% of compensation. The 10% maximum auto deferral rate is what we would recommend. NOTE: You should allow active elections by employees that are greater than 10% of compensation as long as they do not exceed legal dollar limits. Contact AG Financial for information on legal limits.
- **When will the periodic auto increase take effect?** Some considerations:
 - When the employee gets a raise. This option has the advantage in that the employee will feel that they are not getting less money in their paycheck.
 - At the beginning of the calendar year. Employees may be willing to make changes with the upcoming new year.
- **Should current employees be included in the AutoIncrease feature?** Consider that, as a group, they are probably not saving enough for retirement. If you choose not to include current employees in the AutoIncrease feature, consider other tools that will encourage increased deferral, such as a QuickIncrease feature. Contact AG Financial to discuss how these tools may work for you.

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

WHAT ITEMS DO WE NEED TO COMMUNICATE TO EMPLOYEES?

- In addition to an initial and annual notice regarding auto enrollment, you must give a prior notice to employees before the time that an automatic increase is due. Such notice must include the following:
 - General information about the AutoIncrease feature including procedures on how to opt out of the increase.
 - Employees must be given a reasonable period of time to exercise their right to opt out.
 - The ability to change or stop the election.
 - The deferral percentage and the amount of the deferral increase.

CAN AG FINANCIAL SOLUTIONS AND MBA HELP IMPLEMENT THE AUTOINCREASE FEATURE?

AG Financial Solutions can assist you with the following:

- Guidance in establishing and maintaining the AutoEnroll auto increase feature.
- Supply your ministry with auto increase forms and notifications.
- Ongoing assistance in administration of the program.
- Employee education materials.

OTHER INFORMATION

Before you begin the AutoIncrease program, you should read about an automatic enrollment program and carefully consider the implications of establishing the automatic features.

IMPORTANT: For an automatic enrollment program and AutoIncrease feature to be effective, it is imperative that the opt-out forms not be presented to employees unless the employee requests it.

Ongoing education and employee communication is vital to an effective AutoEnroll program and AutoIncrease feature. AG Financial Solutions is available to assist you in these efforts.