

AUTOMATIC ENROLLMENT

AKA

NEGATIVE DEFERRALS

- EMPLOYEES ARE GIVEN WRITTEN NOTICE THAT UNLESS THEY TAKE POSITIVE ACTION TO THE CONTRARY, THEY WILL AUTOMATICALLY BE ENROLLED IN THE 401(K) PLAN

(Notice may be given at time of hire or at time of eligibility)

- THE EMPLOYER DECIDES ON A DEFAULT DEFERRAL RATE, SUCH AS 6 PERCENT, FOR THOSE EMPLOYEES WHO MAKE NO ELECTION OTHERWISE

(Default rate must be documented)

- FOR PARTICIPANT-DIRECTED PLANS, THE MONEY SHOULD BE INVESTED IN A “QUALIFIED DEFAULT INVESTMENT” (ABSENT OTHER INSTRUCTION)

- EMPLOYEES ARE NOTIFIED ANNUALLY OF THE DEFAULT DEFERRAL RATE AND THEIR RIGHT TO CHANGE OR CANCEL

- EXTRA TIME GRANTED FOR MAKING 401(K) REFUNDS WITHOUT PAYING THE 10% PENALTY

- SAFE HARBOR PLANS THAT USE AUTOMATIC ENROLLMENT CAN PROVIDE A REDUCED MATCH AND A VESTING SCHEDULE