



ARE YOU CONSIDERING AN AUTOMATIC ENROLLMENT, OR QDIA FEATURE FOR YOUR RETIREMENT PLAN?

Now is the time to decide whether to add automatic enrollment, automatically increasing “deemed” deferrals, permissive withdrawals and/or a qualified default investment alternative (“QDIA”) to your 401(k), 403(b) or governmental 457(b) plan.

Attached is a side by side overview of these permitted plan design changes.

Why is now the time to decide whether to adopt one or more of these plan design features?

- So you can compare safe harbor auto enrollment to non-safe harbor and decide which works best for you;
- So you can coordinate these changes with your plan recordkeeper or design and implement the plan administration changes if you do not use a third party administrator/recordkeeper;
- So, if you intend to permit the in-service withdrawal of auto enrolled amounts within 90 days after the first deemed deferral, you will have the time to prudently select a QDIA (which is required for permissive withdrawals, regardless of whether the auto enrollment is a safe-harbor design or a non safe-harbor design); and
- Finally, to allow sufficient time to prepare the required participant notice, which must be distributed not more than 90 days and at least 30 days before an auto enrollment plan and/or a QDIA is effective (i.e., during the period from October 1 to December 1 for a calendar year plan).

We hope the attached overview is helpful. It is not intended to answer all of your questions about these permissive plan design options. Please let us know if we can help you decide whether now is the time to add one or more of these features to your retirement savings plan and when.

**OVERVIEW OF THE PPA06 SAFE HARBOR AUTO ENROLLMENT/PERMISSIVE
WITHDRAWAL/QUALIFIED DEFAULT INVESTMENT ALTERNATIVES
("QDIA") PROVISIONS FOR 401(k), 403(b) AND GOVERNMENTAL 457(b) PLANS**

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	IRC 401(k)(12) SAFE HARBOR	IRC 401(k)(13) AUTO ENROLLMENT SAFE HARBOR		IRC 414(w) PERMISSIVE WITHDRAWALS	QDIA
EMPLOYER MATCHING CONTRIBUTIONS	100% of the first 3% of pay/employee contributions plus 50% of the next 2% of employee pay/contributions (maximum – 4% of pay)	100% of the first 1% of pay/employee contributions, plus 50% of the next 5% of employer/pay contributions (maximum – 3.5% of pay)		N/A	N/A
EMPLOYER NON-ELECTIVE CONTRIBUTIONS (for all eligible employees)	OR 3% of employee pay	OR 3% of employee pay			
VESTING (Employer Contributions)	Immediately 100%	Less than 2 years of service	None	N/A	N/A
		2 or more years of service	100%		

	IRC 401(k)(12) SAFE HARBOR	IRC 401(k)(13) AUTO ENROLLMENT SAFE HARBOR	IRC 414(w) PERMISSIVE WITHDRAWALS	QDIA
ACCELERATED EMPLOYEE CONTRIBUTIONS AS A % OF PAY	N/A	3% or more in the first two years, plus automatic increases of 1% each year thereafter 2009/2010 3% 2011 4% 2012 5% 2013 6% Thereafter 6% OR 6% each year	N/A	N/A
NOTICE REQUIREMENT	Yes – reasonable notice required; at least 30 days before the beginning of the plan year is deemed to be reasonable	Yes – not more than 90 days and at least 30 days before the beginning of each plan year	Yes – not more than 90 days and at least 30 days before permissive withdrawals are effective and each plan year thereafter	Yes – at least 30 days before a QDIA is provided and 30 days before each plan year thereafter
MID-YEAR EFFECTIVE DATE	No	No	Yes (pursuant to further guidance)	Yes
QDIA REQUIRED	No	No	Yes	N/A
AUTO ENROLLMENT OPT OUT PERIOD	N/A	Advance Notice Period	N/A	N/A
PERMITTED WITHDRAWAL PERIOD	N/A	N/A	The period beginning on the last day of the payroll period of the first automatic deferral and ending 90 days later	

	IRC 401(k)(12) SAFE HARBOR	IRC 401(k)(13) AUTO ENROLLMENT SAFE HARBOR	IRC 414(w) PERMISSIVE WITHDRAWALS	QDIA
QDIA OPTIONS				An Asset Allocation Fund that is a 1) Target Retirement Age/Date Fund 2) Balanced Fund, or a 3) Managed Account Fund
STABLE VALUE FUND EXCEPTIONS	N/A	N/A	N/A	Limited Duration (first 120 days after auto enrollment) or Grandfather QDIA (Pre 12/24/07 Stable Value Fund Investments, plus accumulated earnings)
EXCESS DEFERRALS CORRECTION PERIOD	2-1/2 months after the end of the plan year	2-1/2 months after the end of the plan year (unless permissive withdrawals also provided)	6 months after the end of the plan year	N/A
WHY COMPLY	To be exempt from ADP/ACP testing (and maybe even top-heavy testing)	To be exempt from ADP/ACP testing (and maybe even top-heavy testing)	To exempt permitted in-service withdrawals during the applicable 90-day period from the 10% premature withdrawal excise tax for employees who are not age 59-1/2 or older	For ERISA fiduciary protection (i.e., the QDIA is “deemed” to be an investment that is “controlled” by the participant) and to eliminate the expense of small accounts

For more information, please contact Haynes Benefits PC at 816-875-1919 or visit www.haynesbenefits.com.