



## **SAFE HARBOR AND AUTOMATIC ENROLLMENT**

**Annual 401(k) plan compliance testing can be an expensive and complex process for plan sponsors, especially those with a large population of highly-compensated employees. Our retirement product includes optional safe harbor and automatic enrollment provisions that are designed to resolve certain compliance tests with no additional involvement from the plan sponsor.**

### **SAFE HARBOR PROTECTS PLAN SPONSORS FROM NONDISCRIMINATION TESTS**

If a company's demographics include a large number of highly-compensated employees, safe harbor provisions may help plan sponsors avoid cumbersome nondiscrimination testing and allow owners and highly-compensated employees to maximize deferral limits. While standard 401(k) plans require employers to implement discrimination testing to ensure employees at all salary levels are given the opportunity to participate equally, safe harbor plans relieve employers of this obligation.

A safe harbor 401(k) plan automatically satisfies the nondiscrimination rules for elective deferrals and matching contributions. As long as the plan operates within established guidelines, a safe harbor plan will be compliant with ADP/ACP tests.

## **Convenient 401(k) Plan Features**

This may allow highly-compensated employees to make higher contributions in plans with lower participation by non-highly compensated employees. Following the safe harbor guidelines can also provide relief from required contributions if the plan is determined to be top heavy.

### **SAFE HARBOR REQUIREMENTS**

In order to take advantage of the safe harbor provisions, plan sponsors must satisfy certain contribution, vesting and notice requirements:

1. The plan sponsor makes a contribution each year following one of two formulas:
  - Matching contribution that pays up to four percent of compensation to employees who contribute to the plan
  - Profit sharing contribution equal to at least three percent of employee compensation
2. The plan sponsor provides an annual participant notice at least 30 days prior to effective date of the safe harbor provisions.
3. Employer safe harbor contributions are 100 percent vested.

### **IMPLEMENTING A SAFE HARBOR 401(k)**

A plan sponsor with an existing 401(k) plan may only implement safe harbor 401(k) provisions at the beginning of the plan year. However, plan sponsors with new 401(k) or existing profit sharing plans may implement a safe harbor plan during the plan year as long as they meet certain requirements.

## **AUTOMATIC ENROLLMENT HELPS PARTICIPANTS SAVE**

Another way plan sponsors can improve compliance testing results is through automatic enrollment options. Automatic enrollment not only helps to get participants on the path to a secure retirement, it also helps streamline a plan sponsor's administrative responsibilities. Two types of auto-enroll features are available:

### **1. Eligible Automatic Contribution Arrangement (EACA)**

A plan must meet only two requirements to utilize EACA:

- Provide annual participant notice explaining the auto-enroll process and the participant's right to opt out
- Use a Qualified Default Investment Alternative (QDIA) for any contributions where the participant didn't provide investment instructions

### **2. Qualified Automatic Contribution Arrangement (QACA)**

This safe harbor provision is slightly different in that it allows plan sponsors to avoid the annual ADP/ACP tests and top-heavy requirements. A plan must meet four requirements to utilize QACA:

- Provide annual participant notice explaining the auto-enroll process and the participant's right to opt out
- Use a QDIA
- Auto contribution rate must be at least three percent in the first year and increase annually, not to exceed ten percent
- Employer contribution is required with full vesting after two years of service

## **FEATURES AVAILABLE ON YOUR PLAN TODAY**

Take advantage of convenient auto-enrollment and safe harbor provisions today. Contact your Mutual of Omaha Retirement Services representative to learn more.

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## **UNITED OF OMAHA LIFE INSURANCE COMPANY**

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