

# Automatic Enrollment

## HELP YOUR EMPLOYEES MAXIMIZE THEIR RETIREMENT BENEFITS

### Why an Automatic Enrollment Plan?

As an employer, you can help new employees reach their retirement goals by automatically enrolling them in a retirement savings plan.

Studies show only about half of employees participate in their employers' plans. However, automatic enrollment increases participation to about 90%<sup>1</sup>. URS has seen remarkable participation increases from new hire automatic enrollment. Here are some of the benefits:

- » Increases employee participation by simplifying the savings and investment process. Prepares employees better for retirement.
- » Improves employees' overall financial well-being.
- » Helps employees utilize their total compensation package, including savings matches.
- » Offers tax benefits on savings.
- » Is optional; employees can opt out.

### Employer Responsibilities

When you establish the automatic enrollment you, as the employer, must:

- » Implement an internal policy authorizing auto-enrollment. (See sample policy on back.)
- » Designate an auto-enrollment percentage (such as 5%) and a start date for when new employees will begin to be auto-enrolled.
- » Submit an updated service agreement to URS.
- » Communicate the policy to your employees. You may do this by having a disclosure form signed by each employee (see sample disclosure form on back).
- » Ensure that your payroll is contributing the auto-enrolled percentage into new employees' retirement savings plans (e.g. 401(k)), beginning with the first pay period, unless the employee opts out.
- » Consider the impact on your budget if you offer an employer-matching program.

<sup>1</sup> *How America Saves 2016*. Vanguard 2015 defined contribution plan data. The data shows that employees with an automatic enrollment in a retirement plan have an overall participation rate of 88% compared to 58% for employees hired under plans with voluntary enrollment. Shlomo Benartzi, in his book *Save More Tomorrow*, shows similar participation. Benartzi indicates that 60% of employees participate in voluntary deferrals compared with 95% participation in automatic enrollment.



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## SAMPLE DISCLOSURE FORM: Employee Defined Contribution Plan Certification

By signing below, I certify that I have read and understand the policies and procedures defining retirement savings plan contributions.

In particular, I certify that I understand:

- I will have 5% of my gross salary automatically deferred into my Utah Retirement Systems 401(k) Plan.
- If I want to stop, decrease, or increase this automatic deferral now or any time in the future, I must change or opt out of the deferral by accessing my URS account online or by submitting an investment contract to URS.
- I understand that during the 90 days after the automatic contributions are first taken from my pay, I may request a taxable withdrawal of my contributions (with related earnings) from URS, and that I will not be subject to the 10% early withdrawal penalty tax during this period. However, if I choose to take a distribution of the funds within the first 90 days, I will forfeit any related employer matching contributions.
- I understand that I may choose how my funds are invested by accessing my URS account online or by submitting an investment contract. However, if I do not submit an investment election for my future allocations prior to contributions being made into my account, the funds will be invested into the age related Target Date Fund, as outlined in the URS 401(k) Summary Plan Description (SPD).
- I understand that the Human Resources Department and URS are available to clarify information or answer my questions about the Defined Contribution Plans, including the automatic deferral. I also understand that I may access the SPD, and other 401(k) plan information online at [www.urs.org](http://www.urs.org).

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

## SAMPLE POLICY

Employees hired on or after \_\_\_\_ will have 5% of their gross salary automatically deferred into the employee's URS 401(k) Plan. An employee may elect to stop, decrease, or increase these deferrals at any time. These deferrals and employer matching contributions are vested immediately and may only be withdrawn according to plan provisions.

However, an employee automatically enrolled in the plan may elect to opt out of the automatic arrangement, and choose to make an in-service withdrawal of the elective deferral amounts (with related earnings). Such an election must be made no later than 90 days after the date of the Participant's first elective deferral contribution. The amount of such withdrawal shall not be subject to the 10% early distribution tax imposed by IRS Code section 72(t). Any related matching contributions from the employer will be forfeited by the employee.

If an employee has been automatically enrolled in the Plan and has not made an investment election prior to contributions being allocated to his/her vested account, such amounts shall be invested in the age related Target Date Fund, as outlined in the URS Summary Plan Description (SPD).

All employees will be required to sign a disclosure that they have received information about how to access, enroll in, and change their eligible retirement plans and systems, prior to or on their first day of employment.