



Automatic Enrollment

A Guide for Plan Sponsors

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Executive Summary

Automatic Enrollment Overview

Automatic Enrollment implements an Automatic Contribution Arrangement (ACA) under which eligible employees are automatically enrolled into a retirement plan. When an employee becomes eligible for Automatic Enrollment, employees:

- Must be notified of ACA details 30-90 days in advance of their Automatic Enrollment date, including a description of scheduled increases if applicable. This notice ensures that newly eligible employees are given sufficient time and information to make any changes or choose not to participate prior to their scheduled plan entry date.
- Must be granted a waiting period that allows employees to change or cancel the arrangement before they are automatically enrolled in the retirement plan.
- Must be notified 30 days prior to the date that their assets will be invested into the Qualified Default Investment Alternative (QDIA) if established unless the plan allows permissible withdrawals. Plans that allow permissible withdrawals can provide notices on or before the date of plan eligibility.

Employees who do not wish to participate in Automatic Enrollment may change their paycheck contribution to zero or to a different amount or percentage prior to their scheduled automatic enrollment date.

When the waiting period expires, eligible employees are automatically enrolled in the retirement plan at a default paycheck contribution percentage. These participant paycheck contributions are invested into the retirement plan's designated default fund or QDIA until the participant makes different investment choices.

If a permissible withdrawal option is established, these participant paycheck contributions may be first invested into the retirement plan's Interim Default Fund during their permissible withdrawal period, if the plan elects. If the participant does not withdraw these funds by the end of the permissible withdrawal period, these contributions are removed from the Interim Default Fund and invested into the retirement plan's designated default fund or QDIA until the participant makes different investment choices.

Once participants are automatically enrolled, they must continue to receive additional notices as applicable to the Automatic Enrollment provisions established within their retirement plan. Annual ACA notices are due at least 30 days prior to the beginning of each plan year.

If scheduled increases are established, participants must receive scheduled increase information at least 30 days prior to the beginning of each plan year. If FASCore, LLC ("FASCore®") is your notice provider, participants may receive an additional notice 35-40 days prior to their scheduled increase date.

If a QDIA has been established, participants must continue to be notified of specific information about the QDIA on an annual basis. Annual QDIA notices are due at least 30 days prior to the beginning of each plan year.

Participant Eligibility

Eligibility criteria and calculation record-keeping is a critical component of administering Automatic Enrollment. Eligibility information is used to:

- Determine when and which eligible employees must be notified of ACA, scheduled increases, and QDIA as applicable.
- Determine when and which eligible employees will be automatically enrolled in the plan.
- Coordinate when and which eligible employees will make their first paycheck contribution.

There are two options for calculating participant eligibility for Automatic Enrollment:

- For newly hired employees, you can calculate eligibility and report applicable eligibility information for each employee via your Payroll Data Interchange (PDI) file or by using the Plan Service Center (PSC).
- FASCore may be able to calculate participant eligibility with data you provide via your PDI file if your plan's eligibility criteria are not too complex.

Automatic Enrollment Setup

The following summarizes the initial tasks required to set up Automatic Enrollment:

1. Set up or modify your PDI file to provide the participant data needed to administer Automatic Enrollment.
2. Note that Online Enrollment (with Participant Paycheck Contribution Recordkeeping) functionality is required for Automatic Enrollment.
3. Complete an Automatic Services Enrollment Election Form that describes how Automatic Enrollment will be administered.
4. Work with your Document Services Provider to complete a Plan Document Amendment.
5. Work with FASCore to submit current participant paycheck contribution data. Note that participants will not be able to make paycheck contribution changes until Automatic Enrollment setup is complete.
6. Participate in a set up call with FASCore to collect all required set up information.

Ongoing Administration

It is important to maintain your ongoing Automatic Enrollment administration responsibilities. Failure to complete any of the following ongoing administration tasks could result in additional administrative burden and expense:

- Submit timely PDI updates.
- Review eligibility reports.
- Correct eligibility errors and update your PDI with these corrections.
- Review participant paycheck contribution reports.
- Update your payroll system with participant paycheck contribution changes.
- Fulfill or monitor all notice obligations.

Automatic Enrollment Benefits Overview

The Automatic Enrollment feature helps employees begin the retirement planning process and encourages them to continue practicing effective retirement savings behavior by:

- Automatically enrolling eligible employees into a retirement plan.
- Requiring employees to take action to prevent them from participating rather than requiring them to take action to enroll in the retirement plan.
- Setting a default percentage of an employee's salary to automatically be contributed to retirement savings each pay period.
- Automatically increasing the percentage of employee salary contributed to retirement savings over time, if scheduled increases are established.

Plan Sponsor Benefits

The Automatic Enrollment feature benefits plan sponsors by:

- Increasing the rate of plan participation, which leads to more participant paycheck contributions and faster growth of plan assets. This may allow highly compensated employees to contribute more to their retirement savings each year.
- Reducing the overall plan administrative burden by eliminating manual tasks associated with processing enrollment paperwork, tracking eligibility, and managing participant contribution changes.
- Eliminating the need to solicit newly eligible employees and convince them to participate.
- Potentially facilitating the plan's efforts to comply with the minimum participation standards for retirement plans under the Internal Revenue Code. Automating the enrollment process ensures that all eligible employees participate in the plan as soon as they meet the Plan Document's eligibility criteria.
- Providing fiduciary protection from default investment losses if set up with a Qualified Investment Default Alternative (QDIA).

Participant Benefits

The Automatic Enrollment feature benefits plan participants by:

- Significantly increasing their retirement savings. Approximately 30 percent of eligible workers do not participate in their employer's retirement plan. Studies suggest that automatic enrollment plans could reduce this rate to less than 15 percent. (DOL EBSA, 2011)¹
- Encouraging sustained retirement savings practices when scheduled increases are applied.
- Simplifying the enrollment process by eliminating the need to complete and process paper enrollment forms.
- Making it easier to change their designated paycheck contributions.
- Providing the opportunity to have their retirement account professionally managed by Advised Assets Group LLC, a federally registered investment adviser, if set up with Managed Accounts².

¹ (Source: The U.S. Department of Labor's (DOL's) Employee Benefits Security Administration and Internal Revenue Service, 2011)

² Managed Accounts, Guidance and Advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser. More information can be found at www.adviserinfo.sec.gov. The trademarks, logos, service marks, and design elements used are owned by their respective owners and are used by permission.

How It Works

Automatic Contribution Arrangements

Automatic Enrollment adds a type of Automatic Contribution Arrangement (ACA) to a retirement plan. An ACA establishes specific guidelines for how participant contributions can be deducted from an employee's salary without obtaining prior approval or election to do so. To implement an ACA, a Plan Document Amendment is required.

There are three types of ACAs that can be added to a retirement plan.

ACA Type	General Description
Automatic Contribution Arrangement (Basic ACA)	<ul style="list-style-type: none">• Does not allow a permissible withdrawal option.• Does not require employer contributions.• Requires that participants receive initial notice and annual notices.
Eligible ACA (EACA)	<ul style="list-style-type: none">• Allows a permissible withdrawal option.• Does not require employer contributions.• Can only be established effective at the beginning of the Plan Year.• Requires that participants receive initial notice and annual notices.
Qualified ACA (QACA)	<ul style="list-style-type: none">• Meets additional Safe Harbor requirements.• Exempts the retirement plan from annual Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) Non-discrimination Testing.• If the arrangement also satisfies EACA criteria with a Permissible Withdrawal option, then QACA allows a Permissible Withdrawal option.• Requires scheduled increases with minimum and maximum salary percentage restrictions.• Requires employer contributions, which are subject to minimum vesting requirements.• Can only be established effective at the beginning of the Plan Year.• Requires that participants receive initial notice and annual notices.

Note: If the Employee Retirement Income Security Act of 1974 (ERISA) applies to your retirement plan, ERISA regulations preempt any state anti-garnishment laws that could otherwise apply to any type of ACA.

ACA Notice Requirements

When an ACA is added to a Plan Document, the U.S. Department of Labor (DOL) requires that eligible employees receive the following notifications that describe features within the ACA.

- **Initial ACA Notice:** Employees must be notified of the features of an ACA prior to the employee's scheduled automatic enrollment date. Timing requirements vary by ACA type but are generally at least 30 days and no more than 90 days prior the employee's scheduled automatic enrollment date.
- **Annual ACA Notice:** Employees must be notified of the features of an ACA 30 days prior to the start of each plan year.

FASCore can assist with ACA Notices.

Permissible Withdrawal

The permissible withdrawal option allows participants who have been automatically enrolled in a retirement plan to withdraw their automatic enrollment contributions within 90 days of their first contribution date.

If eligible employees take no action to change their paycheck contribution to zero or to a different amount before their scheduled plan entry date, contributions will automatically be deducted from their paycheck and deposited into their retirement account beginning with the first payroll that occurs on or immediately following their plan entry date.

A permissible withdrawal option may only be established for certain types of ACAs.

ACA Type	Permissible Withdrawal Option Description
Basic ACA	Does not allow a permissible withdrawal option.
Eligible ACA (EACA)	Allows a permissible withdrawal option.
Qualified ACA (QACA)	Allows a permissible withdrawal option if QACA also meets EACA provisions.

Permissible withdrawal features include:

- All newly enrolled participant contributions will be deposited into an Interim Default Fund to safeguard them from loss during the permissible withdrawal period.
- Permissible withdrawal periods may be set to 90 days from the participant's first contribution date.

Default Participant Contribution

All ACA types require that a default participant contribution percentage be defined. This default participant contribution percentage establishes a standard paycheck contribution rate that will be automatically deducted from participants' paychecks and invested in their retirement savings. Participants always have the option to change their paycheck contribution, but a default percentage must be established for those participants who are automatically enrolled in the retirement plan.

Default participant contribution considerations:

- To ensure that participants reach their retirement savings goals, leading authorities on behavioral finance recommend an initial contribution rate of 6%, with gradual increases to an ultimate goal of 10% (Benartzi, 2012)³.
- In a study of new hires and current employees over a 24 month period, there were "virtually identical participation rates with 3 and 6 percent default savings rates. The participation rate was close to 95%." (Beshears, Choi, Laibson, & Madian, 2009)⁴.
- QACA has specific minimum and maximum default percentage of compensation requirements.

³(Source: Save More Tomorrow, Shlomo Benartzi, 2012)

⁴ (Source: "The Importance of Default Options for Retirement Savings Outcomes" by John Beshears, James J. Choi, David Laibson, Brigitte C. Madian, Social Security Policy in Jeffery R. Brown, Jeffery B. Leibman, and David A. Wise, eds., Social Security Policy in a Changing Environment. University of Chicago Press, 2009.)

ACA Effective Date

When setting up Automatic Enrollment, the ACA effective date should be coordinated to allow a minimum of 60 days to complete the following administrative tasks:

- Integrate employee data into FASCore's recordkeeping system.
- Prepare initial employee data files required for setup.
- Amend the Plan Document.
- Send Initial ACA Notices to eligible employees at least 30 days but no more than 90 days prior to the applicable entry date.

Some ACA types have restrictions as to when an ACA may become effective on a retirement plan.

ACA Type	ACA Effective Date Description
Basic ACA	<ul style="list-style-type: none">• May become effective anytime during the plan year.• The effective date should be future-dated a minimum of 60 days to allow enough time to complete all administrative tasks.
Eligible ACA (EACA)	<ul style="list-style-type: none">• May only become effective on the first day of the plan year.• All administrative tasks must be complete prior to the first day of the plan year.
Qualified ACA (QACA)	<ul style="list-style-type: none">• May only become effective on the first day of the plan year.• All administrative tasks must be complete prior to the first day of the plan year.

Population of Employees

Another key component of adding Automatic Enrollment to a retirement plan involves identifying the population of employees that will be automatically enrolled on the effective date and moving forward.

There are several segments of the employee population that could be eligible for Automatic Enrollment. The following sections describe the options available for making the feature applicable to all employees or to new employees only.

All Employees

The following options are available for extending Automatic Enrollment to all employees on the ACA effective date.

Population	General Description
All Eligible Employees and Participants	<ul style="list-style-type: none">• Automatically enroll all eligible employees and set paycheck contribution to the defined default contribution percentage.• For those participants already enrolled, change paycheck contributions to the defined default contribution percentage.• Automatically enroll newly eligible employees going forward and set paycheck contribution to the defined default contribution percentage.• Note: For established retirement plans, this option will reduce all participant paycheck contributions set to percentages greater than the default back to the default contribution.
Eligible Employees with less than the Default Participant Contribution	<ul style="list-style-type: none">• Automatically enroll all eligible employees making no contributions or those making less than the defined default contribution percentage and set paycheck contribution to the default.• Existing participants with a contribution percentage higher than the default are not affected.• Automatically enroll newly eligible employees going forward and set paycheck contribution to the defined default contribution percentage.
Eligible Employees with no Participant Contribution on Record	<ul style="list-style-type: none">• Automatically enroll all eligible employees who have never specified a paycheck contribution percentage.• Employees who have intentionally set a paycheck contribution amount to zero will not be enrolled or affected.• Automatically enroll newly eligible employees going forward and set paycheck contribution to the defined default contribution percentage.

Newly Eligible Employees Only

The following options are available for extending Automatic Enrollment to only those employees who will become eligible on or after the ACA effective date:

- Enroll employees who become eligible on or after the ACA effective date.
- Enroll employees who are hired on or after the ACA effective date.

Scheduled Increases

To encourage participants to keep investing in their retirement savings, scheduled increases can be established to automatically increase automatically enrolled participants' paycheck contributions as they get closer to retirement age.

Scheduled Increases rules vary by ACA type.

ACA Type	Scheduled Increase Description
Basic ACA Eligible ACA (EACA)	<ul style="list-style-type: none">• Does not require Scheduled Increases.• No additional rules or restrictions apply to scheduled increases.
Qualified ACA (QACA)	<ul style="list-style-type: none">• Requires scheduled increases, unless the initial participant default contribution percentage is 6%.• Participant paycheck contribution percentages must be at least 6% of their salary by their fifth plan year of participation up to a maximum of 10%.

When scheduled increases are applied, automatically enrolled participants' paycheck contributions are automatically increased by a set percentage each year until they reach a specified maximum contribution percentage. Automatically enrolled participants who do not wish to have scheduled increases applied may change their paycheck contribution to a different amount or percentage.

To establish scheduled increases for a retirement plan:

- Define a standard percentage rate of participant paycheck contribution increase.
- Set a maximum percentage of compensation limit to which automatic increases may apply.
- Establish a schedule defining when scheduled increases will occur.

Scheduling requirement and options vary by ACA type.

QACA Scheduling Requirements

The following scheduling requirements apply to scheduled increases for QACAs:

- A participant's default paycheck contribution must remain at the same percentage for at least 12 months.
- Once a participant meets the full calendar year requirement, the first scheduled increase will take effect on the first day of the next plan year.
- For Example: Employee's entry date is 12/1/2013 (2013 =Year 1). If the plan year-end is 12/31, the first increase will be effective 01/01/2015 (2015=Year 3).
- Subsequent scheduled increases take effect annually on the first day of the plan year.

Basic ACA and EACA Scheduling Options

The following scheduling options may be customized for Basic ACAs or EACAs:

- When the first scheduled increase will occur.
- Select a scheduled increase effective date other than the first day of the plan year.

The following scheduling options are available to establish when automatically enrolled participants will experience their first scheduled increase.

Year of Participation	General Description
Year 2	<ul style="list-style-type: none"> • On the scheduled increase effective date specified, the first scheduled increase occurs in the next plan year following a participant's plan entry date. • A participant's default paycheck contribution may remain at the same percentage for less than 12 months. • For Example: The employee's plan entry date is 12/1/2013. The scheduled increase effective date specified in the plan is the beginning of plan year. Assuming plan year-end is 12/31, the first increase will be effective 01/01/2014.
Year 3	<ul style="list-style-type: none"> • On the scheduled increase effective date specified, the first scheduled increase occurs once the participant has been enrolled for a full plan year. • A participant's default paycheck contribution remains at the same percentage for at least 12 months. • For Example: The employee's plan entry date is 12/1/2013. The scheduled increase effective date specified in the plan is beginning of plan year. Assuming plan year-end is 12/31, the first increase will be effective 01/01/2015.

The following scheduled increase effective dates may be selected:

- Beginning of the plan-year
- Anniversary of a participant's entry date
- Specific date of your choosing.

Rehired Employees

Rehired employees who are immediately eligible to enroll in the retirement plan will be automatically enrolled on the next plan entry date. The participant paycheck contribution rate for re-hired employees is as follows:

Scheduled Increases	Termination Date to Rehire Date	Paycheck Contribution	Subsequent Scheduled Increases
No	Not a factor	Automatically enrolled at the default participant contribution rate.	No
Yes	12 months or less	If the participant was previously eligible for Scheduled Increases, automatically enrolled at the percentage they would have been contributing had they not terminated.	Yes
Yes	Greater than 12 months	Automatically enrolled at the default participant contribution rate.	Yes

Reinstating Contributions after Hardship/HEART Suspension

If a retirement plan allows for hardship withdrawals, participants may be able to take early distributions from their retirement savings in response to an immediate and heavy financial need, such as excessive medical expenses or burial/funeral expenses of an immediate family member. When participants make a hardship withdrawal, their retirement savings contributions must be temporarily suspended for a period of time, generally 6 months following the date of the hardship distribution.

If participants take a leave of absence for qualified military service for a period of 30 days or more and make a withdrawal from their retirement account under the Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART), their retirement savings contributions must be temporarily suspended for a period of 6 months following the date of the HEART distribution.

The Reinstating Contributions after Hardship/HEART Suspension provisions allow plans to automatically reinstate participant paycheck contributions after a hardship/HEART withdrawal suspension period expires and restore them to what they would have been had the participant not taken the hardship/HEART withdrawal.

The automatic contribution reinstatement after hardship/HEART suspension requirements and options vary by ACA type.

ACA Type	Reinstating Contributions after Hardship/HEART Description
Basic ACA Eligible ACA (EACA)	<ul style="list-style-type: none">• Automatic participant paycheck contribution reinstatements after hardship/HEART suspension are not required.• The following automatic reinstatement options are available:<ul style="list-style-type: none">- Restore paycheck contributions to what they should have been if the participant had not taken the hardship/HEART distribution for any participant who was automatically enrolled at the default participant contribution percentage or whose paycheck contribution was automatically increased due to a scheduled increase.- Restore paycheck contributions for participants who have changed their paycheck contributions to the percentage they specified before the participant took a hardship/HEART distribution.- Do not automatically restore paycheck contributions upon expiration of a Hardship/HEART suspension period.
Qualified ACA (QACA)	<ul style="list-style-type: none">• QACA requires the following participant paycheck contributions be automatically reinstated upon expiration of a hardship/HEART suspension period:<ul style="list-style-type: none">- Participant paycheck contributions that were automatically set to the default participant contribution percentage as part of Automatic Enrollment.- Participant paycheck contributions that were automatically increased due to a scheduled increase.• Participant paycheck contributions for those participants who have changed their paycheck contributions may be automatically reinstated to the percentage they specified before the hardship/HEART distribution occurred. This is optional for QACA.

Selecting Default Investments

When adding Automatic Enrollment to a retirement plan, a default fund must be selected for those participants who have not otherwise made investment choices. Plan fiduciaries are potentially liable for assets that are invested in the default fund on behalf of these participants.

Qualified Default Investment Alternatives

Default investments that meet QDIA guidelines can limit fiduciary liability.⁵ To qualify as a QDIA under the United States Department of Labor (DOL) guidelines, an investment must:

- Not hold or allow the acquisition of employer securities except in limited circumstances.
- Permit participants to transfer out to another investment without penalty.
- Have long-term QDIAs generally be either managed by an investment manager or be a mutual fund and be a specified type of investment fund.

At FASCore, investment options that qualify as a QDIA fall into three investment types.

Investment Type	General Description
Balanced Fund	A fund product or portfolio with a target-risk level appropriate for the plan's participants as a whole.
Life-Cycle / Target-Retirement Date Funds	A diversified investment fund, product, or model portfolio designed to provide varying degrees of long-term appreciation and capital preservation.
Managed Accounts	The Managed Accounts service allocates contributions among existing plan options based on the participant's age, target retirement date, or life expectancy.

QDIA Notice Requirements

When a QDIA is set up for a retirement plan, the DOL requires that participants receive notices that disclose specific information about the QDIA, including:

- When the participant's account may be invested in a QDIA as part of an ACA if applicable.
- The circumstances under which elective contributions will be made for a participant, the percentage of the contribution, and their right to contribute or not to contribute at a different rate if applicable.
- Disclosing the participant's right to elect other investment options.
- A description of the QDIA, including its investment objectives, risk, and return characteristics along with any associated fees and expenses.
- Where to find additional information concerning other investments available under the plan.

The DOL requires that eligible employees receive both initial and annual notifications that describe these QDIA details at the following points in time:

- **Initial QDIA Notices:** Must be provided at least 30 days prior to the date the participant's assets are first defaulted into a QDIA unless the plan offers a permissible withdrawal.
- **Annual QDIA Notices:** Must be provided at least 30 days prior to the beginning of each plan year.

⁵(Source: DOL Reg. 2550.404c-5)

Managed Accounts

Managed Accounts gives participants the option to have their retirement savings professionally managed by Advised Assets Group, LLC, a federally registered investment adviser. Advised Assets Group utilizes Ibbotson Associates as an independent financial expert to provide the investment methodology underlying the investment advisory services that AAG offers to enrolled participants based on their biographical information, risk preferences, and retirement goals. Any fees assessed for Managed Accounts are charged directly to participants.

There are two different participant enrollment options that can be set up with Managed Accounts.

Managed Account Type	General Description
Opt-In	<ul style="list-style-type: none">• Managed Accounts is made available to the participants.• Participants use the participant website, telephone, or paper enrollment form to turn on the service.
Opt-out	<ul style="list-style-type: none">• Managed Accounts is turned on for all participants.• Participants must cancel the service.

Participants may discontinue or cancel participation in the service at any time, regardless of whether Managed Accounts is set up as opt-in or opt-out.

Interim Default Fund

If a permissible withdrawal option is added to the ACA, an Interim Default Fund may be designated. The Interim Default Fund is a capital preservation fund added to the plan so that automatic participant contributions are safeguarded from loss during their permissible withdrawal period. If a participant does not cancel participation in the plan and withdraw funds by the end of the withdrawal period, their contributions will be removed from the Interim Default Fund and invested appropriately into the plan's designated default fund.

FASCore Services

Participant Paycheck Contribution Recordkeeping

FASCore tracks and reports all participant paycheck contribution designations, including:

- Default contribution percentages established when eligible participants are automatically enrolled. These are reported on the first participant paycheck contribution file sent following the expiration of their enrollment waiting period.
- Scheduled increases automatically applied to participant paycheck contributions, if applicable.
- Any changes to contribution percentages made by participants using the participant website, the telephone Voice Response System (VRS), or by contacting one of FASCore's customer service representatives.
- Any paycheck contribution changes made due to hardship withdrawal or Heroes Earnings Assistance and Tax Relief Act (HEART) withdrawal or reinstatement, if allowed by the plan document.

FASCore provides files containing participant paycheck contribution updates according to an established schedule that corresponds with your payroll frequency. This information is used to keep your payroll system updated with accurate paycheck contribution percentages.

Participant Eligibility

Depending on the design of your retirement plan's eligibility criteria, FASCore may be able to calculate when employees become eligible for Automatic Enrollment.

Common Plan Document eligibility provisions that prevent FASCore from calculating eligibility include:

- Consecutive employment period requirements, such as requiring that an employee be actively employed for three consecutive months.
- Dual eligibility and multiple classes, such as different eligibility requirements for different populations of employees.

If FASCore is unable to calculate eligibility or if you prefer to retain responsibility for calculating participant eligibility, FASCore will assist you with updating your PDI file to include information needed to track, report, and enroll newly eligible employees.

Online Enrollment

Online Enrollment is required to administer Automatic Enrollment. Online Enrollment is also used by employees not automatically enrolled who are solicited to enroll in the retirement plan.

Initial Participant Notices

FASCore can meet the 30 day advance notice requirement for Initial ACA Notices and Initial QDIA Notices (if applicable) if your retirement plan meets either of the following criteria:

- Plan Document has a 60-day eligibility requirement.
- EACA or QACA offers a permissible withdrawal option.

If FASCore is your initial notice provider, the New Eligible File will report which participants have been sent initial notices. Additional fees may apply for full notice services.

Annual Participant Notices

FASCore can manage the distribution of Annual ACA Notices and Annual QDIA Notices (if applicable) for you, and send you an email confirmation when annual notices have been distributed to participants. Additional fees may apply for full notice services.

Notice of Contribution Reinstatement after Hardship/HEART

If these provisions have been added to your retirement plan, FASCore will send a notification to participants 35 days prior to the end of the applicable contribution suspension period.

This notice explains that their paycheck contribution prior to taking a hardship or HEART withdrawal will be reinstated, and allows them to make changes before their contributions are automatically restored.

Ongoing Plan Sponsor Responsibilities

Initial Participant Notices

If FASCore is not your initial notice provider, you will be responsible for distributing initial participant notices.

Initial participant notices must be generated and distributed to eligible participants at the following points in time as they apply to your ACA:

- **Initial ACA Notices:** At least 30 days and no more than 90 days prior to an employee's plan entry date.
- **Initial QDIA Notice:** At least 30 days prior to the date the participant's assets are first defaulted into a QDIA unless the plan offers a permissible withdrawal.

If scheduled increases are established, this information must also be included in the Initial ACA Notices.

If FASCore is not your initial notice provider, FASCore can provide Initial Notice Templates that can assist you in drafting the applicable initial participant notices that meet any applicable IRS and DOL requirements.

Annual Participant Notices

Annual participant notices must be generated and distributed to eligible participants at the following points in time as they apply to your ACA:

- **Annual ACA Notices:** At least 30 days prior to the start of each plan year.
- **Annual QDIA Notice:** At least 30 days prior to the start of each plan year.

If you set up scheduled increases, this information must also be included in the Annual ACA Notices.

If you choose to retain responsibility for distributing Annual Participant Notices:

- FASCore can provide Annual Notice Templates that can assist you in drafting participant notices that meet any applicable IRS and DOL requirements.
- FASCore will send you annual email notifications approximately 45 days prior to your plan year end as a reminder when these notices are due and indicating any required action.

General PDI Requirements

Automatic Enrollment requires that a PDI file be established to report basic employee information and other key data that FASCore uses to track or calculate participant eligibility. FASCore will assist you in designing or modifying your PDI File as part of Automatic Enrollment setup.

Once your PDI file is set up, you will update participant information contained within the file with each payroll cycle and submit it to FASCore. The following describes how to update your PDI file with basic information needed for Automatic Enrollment:

- All general information for new employees hired since the last payroll cycle, including Social Security Number, address, birth date, and hire date.
- All general information for new employees rehired since the last payroll cycle, including Social Security Number, address, birth date, hire date, and rehire date.
- Updated payroll ending date.
- Updated contribution dollars for each contribution type for each employee for that pay period.
- Updated termination date for any employees terminated since the last payroll cycle.

Additional PDI Requirements for Eligibility

If FASCore calculates eligibility, update the following information in addition to the general PDI data:

- If using the Actual Hours Method to calculate eligibility, update Year to Date Hours for all employees.
- If you have excluded classes, identify whether or not any new employees are in an eligible class.
 - If a new employee is in an eligible class, leave the Eligibility Code and Participation Date blank or <null>. FASCore will calculate Participation Date based on other data provided.
 - If the new employee is in an excluded class, set the Eligibility Code to “N”, and update the Participation Date with the excluded class employee’s hire date.
- If you have excluded classes of employees, update the PDI file to note any employee who has moved from an excluded class to an eligible class since the last payroll cycle.
 - Set the Eligibility Code to “Y”.
 - Review the eligibility requirements and entry frequency defined in your Plan Document to determine when the employee will become eligible to enroll.
 - Update the Participation Date with the employee’s anticipated plan entry date.
 - Note that FASCore cannot calculate eligibility for participants previously in an Excluded Class.

If you calculate eligibility, update the following information in addition to the general PDI data:

- For new employees, identify whether or not the employee is in an eligible class.
 - If the new employee is in an eligible class, set the Eligibility Code to “Y”. Review the eligibility requirements and entry frequency defined in your Plan Document to determine when the employee will become eligible to enroll. Update the Participation Date with the anticipated plan entry date.
 - If the new employee is in an excluded class, set the Eligibility Code to “N”, and update the Participation Date with the excluded class employee’s hire date.
- For existing employees who move from an eligible class to an excluded class, change the Eligibility Code to “N” and change the Participation Date to the excluded class employee’s hire date.
- For existing employees who move from an excluded class to an eligible class, update the Eligibility Code to “Y”, and change the Participation Date to report the employee’s anticipated plan entry date.
- Update any Participation Dates for existing employees, as needed.

If you use a payroll provider, FASCore may be able to work with your vendor to collect this information using the Payroll Bridge feature.

Trial New Eligible Report

Approximately 35 days prior to each plan entry period, FASCore will deliver a Trial New Eligible Report to your Plan Service Center (PSC). The Trial New Eligible Report contains all newly eligible employees who will be receiving a Personal Identification Number (PIN) Letter and any applicable Initial Notices (if FASCore is your notice provider).

FASCore will send you an email notification when the Trial New Eligible Report has been delivered to the PSC. When you receive this email:

1. Retrieve the Trial New Eligible Report from the PSC.
2. Verify that employees listed are eligible.
3. Verify that no eligible employee is missing.
4. Verify that an employee listed as eligible has not been recently terminated.
5. Correct any errors via the PSC.
6. Update your PDI file with any corrections made via the PSC to ensure subsequent PDI files report the corrected data.

Trial New Eligible Error Report

If FASCore identifies any participant address errors, you will also receive a Trial New Eligible Error Report along with the Trial New Eligible Report. If you receive a Trial New Eligible Error Report:

1. Retrieve the Trial New Eligible Error Report from the PSC.
2. Verify employees' addresses.
3. Correct any address errors via the PSC prior to receiving the New Eligible Report.
4. Update your PDI file with any corrections made via the PSC to ensure subsequent PDI files report the corrected address information.

New Eligible Report

Approximately 30 days prior to your plan entry date, FASCore generates the New Eligible Report to communicate the final list of employees who are eligible for Automatic Enrollment for the current period. The scheduling of this report is synchronized with your retirement plan's entry frequency, such as monthly or quarterly.

FASCore will send you an email notification when the New Eligible Report has been delivered to the PSC. When you receive this email:

1. Retrieve the New Eligible Report from the PSC.
2. Review the New Eligible Report.
3. Save this report for your records.

This report is for your records and identifies the final list of all employees who were sent a PIN Letter and any applicable Initial Notices (if FASCore is your notice provider). Once the New Eligible Report is generated, any changes made to employee information using the PSC will reflect on the next scheduled Trial New Eligible Report.

New Eligible Error Report

If FASCore identifies any participant address errors that were not fixed since the Trial New Eligible Report was delivered, you will also receive a New Eligible Error Report. If you receive a New Eligible Error Report:

1. Retrieve and review the New Eligible Error Report from the PSC.
2. Verify employees' addresses.
3. Correct any address errors via the PSC.
4. Update your PDI file with any corrections made via the PSC to ensure subsequent PDI files report the corrected address information.

Any employee listed on this report will not be automatically enrolled and will not receive any of the following participant communications:

- PIN Letter
- Initial ACA Notice (If FASCore is the initial notice provider)
- Initial QDIA Notice (If applicable and if FASCore is the initial notice provider)

Updating Participant Paycheck Contributions

FASCore tracks all participant paycheck contribution designations, including:

- Default contribution percentages established when eligible participants are automatically enrolled. These are reported on the first participant paycheck contribution file sent following the expiration of their enrollment waiting period.
- Scheduled increases automatically applied to participant paycheck contributions, if applicable.
- Any changes to contribution percentages made by participants using the participant website, the telephone Voice Response System (VRS), or by contacting one of FASCore's customer service representatives.
- Any paycheck contribution changes made due to hardship withdrawal or Heroes Earnings Assistance and Tax Relief Act (HEART) withdrawal or reinstatement, if allowed by the plan document.

FASCore provides files containing participant paycheck contribution updates according to an established schedule that corresponds with your payroll frequency. You will receive an email notification when this information has been delivered to the PSC. When you receive this email notification from FASCore:

1. Retrieve the report from the PSC.
2. This report contains one of the following depending on your preference:
 - Information only for participants who have made changes to their paycheck contribution designations.
 - Information on all participants with asterisks next to those who have made changes to their paycheck contribution designations.
3. Update your payroll system by manually entering the updates or uploading the file directly into your payroll system.
4. Save this report for your records.

Permissible Withdrawal Approval

If you have set up the Automatic Enrollment feature with a permissible withdrawal option, you will be notified and asked to provide approval on all employee requests to withdraw these contributions. To approve a participant's permissible withdrawal request:

1. Sign the participant form or provide your electronic approval using the PSC.
2. Set the participant's paycheck contribution to 0% using the PSC.

Participant Experience

PIN Letter

Participants receive a PIN Letter when they become eligible to enroll or to become automatically enrolled in your retirement plan.

The PIN Letter provides the participant with:

- Personalized PIN that must be used to access the employee's account on the participant website.
- **Automatic Enrollment:** Instructions describing how to opt out or cancel participation using the participant website, VRS, or by contacting a FASCore customer service representative.
- **Online Enrollment:** Instructions on how to enroll on the participant website or VRS.
- Instructions describing how to change participant paycheck contribution elections using the participant website, VRS, or by contacting a FASCore customer service representative.

ACA Notices

Employees who are automatically enrolled will be notified of the features described in an ACA, including scheduled increases if applicable, at the following points in time:

- **Initial:** 30 to 90 days prior to their automatic enrollment date.
- **Annual:** 30 days prior to the start of each plan year.

QDIA Notices

If QDIA is added to your retirement plan, all eligible participants will receive QDIA Notices that will disclose specific information about the QDIA at the following points in time:

- **Initial:** Must be provided at least 30 days prior to the date the participant's assets are first defaulted into a QDIA unless the plan offers a permissible withdrawal.
- **Annual:** At least 30 days prior to the start of each plan year.

Participant Web

Participants can use the participant website to view, change, or manage retirement account information including the following actions associated with Automatic Enrollment:

- View or change paycheck contributions by accessing the "Change Paycheck Contribution" link.
- Cancel participation when automatically enrolled in the plan.
- Enroll in the plan if eligible and not automatically enrolled as part of Automatic Enrollment.
- View or change investment options.

Managed Accounts

Fees

Managed Accounts fees are assessed on a quarterly basis to participant accounts. Any fees assessed for this service will be disclosed in the participant's Fee Disclosure.

Participant Website

Once enrolled, participants are provided with an option to access Advisory Services on the participant website.

Opt-in

Participants can enroll in Managed Accounts via the participant website by clicking the Advisory Services tile and following the online instructions.

Opt-out

If Managed Accounts is set up as opt-out, participants receive three Strike Letters during the 90-day opt-out process. The Strike Letters inform participants that they will be automatically enrolled in the Reality Investing Managed Account service. These letters also provide instructions describing how to opt out of the service.

At the end of the Strike Letter process, a 90-day free-look period begins. The free-look period allows participants to try Managed Accounts for free.

Notice of Contribution Reinstatement after Hardship/HEART Suspension

When the Reinstating Contributions after Hardship/HEART suspension has been added to a retirement plan, participants will receive a notification 35 days prior to the end of the hardship/HEART contribution suspension period. This notice explains that their paycheck contribution prior to taking a hardship or HEART withdrawal will be reinstated, and allows them to make changes before their contributions are automatically restored.

Participants can access their account on the participant website to cancel the automatic reinstatement or change their paycheck contribution. Any changes made to the paycheck contributions will be effective after the contribution suspension period expires.

Without this provision, participants are unable to make contribution changes until after the contribution suspension period expires.

Setup Overview

The following provides an overview of the administrative tasks that must be completed as part of the Automatic Enrollment setup process.

Plan Service Center Access

Establish an Automatic Enrollment Administrator who will be the primary contact responsible for managing ongoing administrative tasks. The Automatic Enrollment Administrator must have the appropriate access to the Plan Service Center (PSC) in order to:

- Submit the PDI file to FASCore each pay period.
- Retrieve reports.
- Make participant data corrections.

If the Automatic Enrollment Administrator changes, please work with FASCore to update the contact information and establish the correct PSC access for the new Automatic Enrollment Administrator.

Setup Participant Paycheck Contribution Recordkeeping

With Automatic Enrollment, FASCore will track and report all participant paycheck contribution changes. To set up these services, you will need to prepare and submit a listing of all participants' current contribution designations. You will work with FASCore to prepare, verify, and integrate your participants' current paycheck contribution data into FASCore's recordkeeping system.

Payroll Data Interchange File Update

The PDI file provides FASCore with information required to manage Automatic Enrollment. Once you have set up or modified your PDI file layout to include required data to administer Automatic Enrollment, you will continue to submit an updated PDI file with each pay period.

General PDI Information

The following data must be included on your PDI file for Automatic Enrollment.

Information Type	Data Fields
Basic information	Social Security Number (SSN), Name, Address, Birth Date, Gender, Marital Status, State.
Employment information	Hire Date, Termination Date, Re-Hire Date.
Contribution information	Payroll Date, Employee Before-Tax Contribution, Employee After-Tax Contribution, Employer Contribution, Loan Repayment, Employee Roth Contribution.

FASCore Calculates Eligibility

If FASCore calculates participant eligibility, the following additional information must be included in your PDI file.

Information Type	Data Fields
Eligible Class Information	Eligibility Code (For Excluded Class Employees only)
Eligibility Information	Participation Date (For Excluded Class Employees only)
Elapsed Time or Equivalency Method	<ul style="list-style-type: none">• Birth Date• Hire Date, Termination Date, Re-Hire Date (already included in General PDI information),
Actual Hours Method	<ul style="list-style-type: none">• Employee YTD Hours• Birth Date• Hire Date, Termination Date, Re-Hire Date (already included in General PDI information),

You Calculate Eligibility

If you calculate and report participant eligibility, the following additional information must be included in your PDI file.

Information Type	Data Fields
Eligibility Information	<ul style="list-style-type: none">• Eligibility Code• Participation Date

If you work with a payroll provider, FASCore may be able to work directly with your payroll vendor to collect the data needed for PDI as part of the Payroll Bridge program.

Automatic Enrollment Service Election Form

The election form allows you to specify the ACA Type, ACA Notice responsible party, permissible withdrawal options, default participant contribution percentage, effective date, population of employees, scheduled increase percentage, and Reinstating Contributions after Hardship/HEART Suspension provisions to be added to your retirement plan.

The effective date on the election form should be future-dated a minimum of 60 days to allow enough time to complete the following administrative tasks required to set up Automatic Enrollment:

1. Integrate employee data into FASCore's recordkeeping system.
2. Prepare initial employee data files required for setup.
3. Amend the Plan Document.
4. Send Initial ACA Notices to eligible employees at least 30 days but no more than 90 days prior to the applicable entry date.

The Automatic Enrollment Effective Date must also be coordinated with any applicable ACA requirements.

Default Fund Selection Form

The Default Fund Selection Form allows you to designate your plan's default investments, including the following as applicable:

- Default Fund
- QDIA, which may also be Managed Accounts
- Interim Default Fund

Plan Document Amendment

Please contact your plan document services provider to determine when a Plan Amendment is required for Automatic Enrollment.

- If FASCore is your plan document services provider, the Automatic Enrollment Service Election Form will help FASCore generate the needed plan document amendments. The appropriate amendment will be sent to you for an authorized person's signature when required.
- If FASCore is not your Plan Document provider, request a model amendment from your document provider.

Other Features

Additional set up may be required to add Managed Accounts or QDIA in conjunction with Automatic Enrollment.

Key Terms and Definitions

The following section provides definitions of key terms used as part of setting up and administering Automatic Enrollment.

Term	Description
Actual Contribution Percentage (ACP) Test	Part of annual discrimination testing, the ACP Test measures the extent to which the average rate of employer matching contributions provided to HCEs and/or HCE employee (after-tax) contributions exceeds the average rate of the same contributions for the NHCEs.
Actual Deferral Percentage (ADP) Test	Part of annual discrimination testing, the ADP Test determines whether highly compensated employees are (as a group) contributing more than a nondiscriminatory percentage of their compensation into the plan.
Automatic Contribution Arrangement (ACA)	An Automatic Contribution Arrangement (ACA) establishes specific guidelines for managing participant contributions when deducted from an employee's salary without obtaining prior approval or election to do so.
Automatic Enrollment Date	See Plan Entry Date.
Automatic Enrollment Effective Date	The date that Automatic Enrollment and/or an ACA will become effective within a Plan Document. This date should allow a minimum of 60 days for administrative setup and be coordinated with any applicable ACA requirements.
Discrimination Testing	Retirement plans may not discriminate in favor of highly compensated employees in the amount of contributions. Each year, a qualified retirement plan must show that highly compensated employees are not contributing more than an allowable percentage of their compensation to the plan, and similarly are not receiving more than an allowable percentage as a matching contribution.
Document Services Provider	For the purposes of Automatic Enrollment, the person or entity that has been granted legal authority to amend the Plan Document.
Eligible Class	Employees who may become retirement plan participants. Any employee not in an excluded class.
Excluded Class	Employees who are not eligible to become retirement plan participants as defined in the Plan Document. Examples may include part-time, temporary, or seasonal employees.
First Contribution Date	The date that new participants first deposit money into their retirement account. For the purposes of Automatic Enrollment, new participant contributions are reported on the first participant paycheck contribution file sent following the expiration of their enrollment waiting period. The first contribution date would generally coincide with the next payroll following the receipt of the initial participant paycheck contribution percentages.
Hardship Withdrawal	An in-service withdrawal made from a retirement plan because of the immediate and heavy financial need of a participant that cannot be satisfied from other resources.

Term	Description
Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART)	Legislation passed in 2008 that made changes impacting welfare and retirement benefits available to military personnel.
Opt-out	An action a participant must take to cancel participation in a retirement plan, related feature, or related service.
Participant Paycheck Contribution Election Recordkeeping	Also referred to as Deferral Recordkeeping, this is a process where FASCore collects, stores and reports the current participant paycheck contribution elections and participant directed contribution change information to the Plan Sponsor, helping the Plan Sponsor to keep timely, accurate contribution information on their payroll system.
Participation Date	For the purposes of Automatic Enrollment, the date reported on the Payroll Data Interchange (PDI) File that represents when an employee becomes eligible to enroll in a retirement plan based on the eligibility requirements and entry frequency defined in the Plan Document.
Payroll Bridge	Payroll Bridge is a service that directly connects a Plan's payroll vendor with FASCore. Once the "bridge" is established, FASCore and the payroll vendor are able to exchange contribution information
Payroll Data Interchange (PDI) File	This is a file of indicative information that is passed from the Plan Sponsor to FASCore electronically through the Plan Service Center on a regular basis. Based on the services selected, specific fields can be populated in the PDI file that enhance or improve the services that FASCore can provide. PDI is required for Automatic Enrollment.
Permissible Withdrawal	A Permissible Withdrawal option gives employees the ability to withdraw their money from their retirement account if they choose to cancel participation within a certain period of time.
Personal Identification Number (PIN)	Personal Identification Number (PIN) is used by Plan participants for secure access to their retirement plan's website. A unique PIN is assigned to each participant and is communicated via a PIN Letter when an employee becomes eligible to enroll in a retirement plan.
Plan Document Amendment	A formal revision to the governing Plan Document to incorporate legislative or regulatory changes affecting the retirement plan.
Plan Fiduciary	Under the Employee Retirement Income Security Act of 1974 (ERISA), any person who exercises discretionary authority or control over the management/ administration of a retirement plan or management/disposition of its assets.
Plan Entry Date	Based on the eligibility requirements and entry frequency defined in the Plan Document, the date an employee becomes eligible to enroll in a retirement plan. See also Participation Date.
Plan Service Center (PSC)	The online resource for plan administration.
Plan Year	The period for which plan records are kept.

Term	Description
Scheduled Increases	Establish a rate to increase, maximum increase percentage, and schedule to automatically increase participants' paycheck contributions as they get closer to retirement age.
Scheduled Increase Effective Date	The defined date that scheduled increases will be applied to automatically enrolled participants who meet the applicable scheduled increase criteria. Options include: Beginning of the Plan Year, anniversary of a participant's entry date, or a specified date.
Safe Harbor	Regulations that specify plan provisions or plan operational characteristics that make a retirement plan exempt from some conducting more complex tests such as nondiscrimination testing of elective or matching contributions.