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Abstract

Automatic enrollment can boost employee participation in a Section 401(k) plan, making it easier for the plan to satisfy nondiscrimination requirements that often prevent highly compensated employees from maximizing deferral contributions. The Pension Protection Act (PPA) and recent IRS regulations expand the automatic enrollment design options available to employers and provide additional incentives to adopt automatic enrollment arrangements. Employers with automatic enrollment arrangements should be aware of these new developments and should review their plan documents and administrative procedures to ensure compliance with current requirements. Employers considering automatic enrollment should be aware of the three types of automatic enrollment now available under PPA. This article summarizes the evolution of automatic enrollment, the three types of automatic enrollment authorized by the PPA, the IRS guidance that governs qualified automatic contribution arrangements (QACAa) and eligible automatic contribution arrangements (EACAs), and the planning considerations for employers.

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