



Benchmark Retirement Plan Services, Inc.

Fredericksburg, VA 22401
www.benchmarkrps.com

Daytona Beach, FL 32124

ph: (833) 765-401K
fx: (833) 766-401K

August 13, 2024

SECURE 2.0 ACT **Eligible Automatic Contribution Arrangement Requirements**

On December 23, 2022, Congress passed the Consolidated Appropriations Act, 2023, which contains the SECURE 2.0 Act of 2022. The SECURE 2.0 Act includes a number of provisions related to retirement plans that are intended to expand participant coverage. On December 20, 2023, the IRS released long-awaited SECURE 2.0 guidance in the form of Notice 2024-02. The notice is 81 pages of Frequently Asked Questions on various SECURE 2.0 provisions, including those pertaining to the new automatic enrollment mandate.

Automatic Enrollment Popularity Continues to Climb

Since the Pension Protection Act of 2006 went into effect, the percentage of 401(k) plans utilizing the automatic enrollment feature has steadily climbed. There has also been a steady increase in automatic deferral escalation in plans with automatic enrollment. Not coincidentally, the participation rates in plans utilizing these features is significantly higher than plans without automatic enrollment. In an effort to further bolster automatic enrollment, SECURE 2.0 contained provisions that require new 401(k) and 403(b) plans to include an eligible automatic contribution arrangement (EACA).

Automatic Enrollment Mandate

To conform with the EACA mandate, new 401(k) and 403(b) plans for employers that have 10 or more employees must automatically enroll eligible participants (who do not opt out) using a 3% minimum and 10% maximum contribution rate. Such plans must also provide for an automatic escalation feature that increases employee contributions by 1% per year up to at least 10% (capped at 15% of compensation). The plan must permit a participant to make withdrawals no later than 90 days after the date of the first contribution.

What Plans are Impacted?

SECURE 2.0 generally requires a 401(k) or 403(b) plan established after December 29, 2022, to incorporate the specified EACA provisions no later than the first plan year beginning after December 31, 2024. If a 401(k) or 403(b) plan was adopted after December 29, 2022, or a 401(k) employee deferral feature was added to a profit sharing plan after that date, then the plan must be amended to include automatic enrollment if not already implemented. Most plans have a plan year that runs on the calendar year. For these calendar year-end plans that were adopted after December 29, 2022, the new provisions must be in place January 1, 2025.

Furthermore, if an impacted plan has existing automatic enrollment or automatic increase provisions that do not meet the new levels required under SECURE 2.0, the plan must be amended to meet the new required levels no later than the first plan year beginning after December 31, 2024.

Next Steps

The team at Benchmark Retirement Plan Services, Inc. has accumulated a list of our impacted clients and will be contacting each individually. For those on a calendar year-end we will be reaching out in the 3rd quarter of 2024 and creating the mandatory plan amendment in the early 4th quarter of 2024. Our non-calendar year-end clients will be staggered based upon the mandated date of adoption.

If you have any questions regarding the content of this article, please do not hesitate to contact Benchmark Retirement Plan Services, Inc. for additional information.

Benchmark Retirement Plan Services, Inc.

Setting the standard for service, expertise, and cost-effective retirement plan solutions in the TPA industry.