Understanding Automatic Contribution Arrangements

What is an automatic contribution arrangement?
An automatic contribution arrangement is a plan feature under which employees who are eligible to participate in a retirement plan, but fail to make an affirmative salary deferral election, are automatically enrolled into the plan and automatically have a predetermined percentage of their compensation deferred into their individual accounts.

Why use an automatic contribution arrangement?
Use an automatic contribution arrangement to:

- Assist undecided participants in establishing and starting the growth of their retirement account.
- Increase overall participation in your plan and improve nondiscrimination testing results.
- Reduce the probability of refunds to highly compensated employees (HCEs).

There are three types of automatic contribution arrangements:

- Automatic contribution arrangement (ACA)
- Eligible automatic contribution arrangement (EACA)
- Qualified automatic contribution arrangement (QACA)

The chart on page two details the requirements and benefits associated with each automatic contribution arrangement.

Is a qualified default investment alternative (QDIA) required under any ACA?
No. However, the qualified default investment alternative (QDIA) was created to meet the long-term retirement contribution needs of participants who fail to elect investment options. Department of Labor (DOL) regulations provide plan fiduciaries safe harbor relief from liability for investment outcomes experienced by a participant whose contributions are defaulted to a QDIA, which helps to protect the employer, the plan administrator and the plan trustee(s). Use of a QDIA does not relieve fiduciaries of their obligations to prudently select and monitor this default investment or from any liability that results from failure to do so.

Contact us to learn more about these features.

Automatic Contribution Arrangements comparison chart

Requirements

	Automatic Contribution Arrangement (ACA)	Eligible Automatic Contribution Arrangement (EACA)	Qualified Automatic Contribution Arrangement (QACA)
Automatic enrollment	Required	Required	Required
Qualified default investment alternative (QDIA)	Optional	Optional	Optional
Auto increase	Optional	Optional	Required
Date to adopt	Any time	First day of plan year	First day of plan year
Initial and annual notice	Required	Required	Required
Initial notice timing	In general, distribute no earlier than 90 days before their eligibility date and no later than their eligibility date	In general, distribute no earlier than 90 days before their eligibility date and no later than their eligibility date	In general, distribute no earlier than 90 days before their eligibility date and no later than their eligibility date
Annual notice timing	Distribute between 30 and 90 days prior to the first day of the plan year	Distribute between 30 and 90 days prior to the first day of the plan year	Distribute between 30 and 90 days prior to the first day of the plan year
Employer contribution	Optional	Optional	Required
Vesting of employer contributions	Regular vesting rules apply	Regular vesting rules apply	2 Year cliff maximum

Benefits

	Automatic Contribution Arrangement (ACA)	Eligible Automatic Contribution Arrangement (EACA)	Qualified Automatic Contribution Arrangement (QACA)
"Erroneous" contributions/ permissible withdrawals	Not permitted	Permitted	Permitted only if also EACA
ADP/ACP tests	Required	Required. ADP/ACP refunds have an extended deadline of 6 months after end of plan year if EACA applies to all eligible participants	Exempt
Top heavy rules	Applicable	Applicable	Deemed to satisfy, if conditions met

Note: *Please consult us if you have questions about safe harbor plans.*

Note

All group variable annuity contracts are issued by American United Life Insurance Company® (AUL), One American Square, Indianapolis, IN 46206-0368, 1-800-249-6269. Registered group variable annuity contracts are distributed by OneAmerica Securities, Inc., Member FINRA, SIPC, a Registered Investment Advisor, 433 N. Capitol Ave., Indianapolis, IN 46204, 1-877-285-3863.

McCready and Keene, Inc. and OneAmerica Retirement Services LLC provide administrative and record keeping services and are not broker/dealers or investment advisors. Neither AUL, OneAmerica Securities, McCready and Keene, Inc., OneAmerica Retirement Services LLC nor their representatives provide tax, legal or investment advice.

Products and financial services provided by the companies of OneAmerica®

One American Square, P.O. Box 368 | Indianapolis, IN 46206-0368 | www.oneamerica.com