ASCENSUS

CLOSING THE RETIREMENT SAVINGS GAP

AUTOMATIC ENROLLMENT ENHANCEMENTS

Proposal	Impact	Rationale
Remove the Grandfather Rule that exempts 401(k) and 403(b) plans set up before December 29, 2022, from the requirement to include automatic enrollment	Eliminating the exemption could enable 15 million more Americans to participate in retirement savings plans.	▪ Boosts participation in plans that may be unlikely to voluntarily include automatic enrollment ▪ Ensures consistent early participation for all workers, including young and lower-income employees ▪ Streamlines employer decisions and mitigates risk of misapplying the grandfather rule
Increase the minimum initial deferral rate from 3% to 6%	A 3% contribution rate often leads to gaps in retirement savings, while higher rates greatly reduce the likelihood of outliving assets.	▪ Ensures receipt of full employer matching contribution amounts ▪ Federal TSP deferral rate increases from 3% to 5% have been beneficial – more participants now contribute at higher rates and few choose to opt-out
Discontinue the ACA option	ACA, EACA, and QACA options have nine requirements that may overlap; removing ACA reduces administrative complexity for employers and regulators.	▪ The ACAs unique features do not provide substantial benefits to merit the level of compleixty they create, administration can be streamlined by retaining only the EACA and QACA options ▪ ACA usage is declining sharply following SECURE 2.0
Align operational features for EACAs and QACAs	401(k) plan documents have an average of 9.5 automatic enrollment elections. Simplifying these would reduce complexity for employers and regulatory agencies.	▪ Choices create operational differences that cause avoidable plan errors which require correction ▪ Choices add complexity but offer no significant value to employers or participants
Require SIMPLE Plans to include automatic enrollment	Extending automatic enrollment to SIMPLE plans could expand retirement savings participation to include an additional 419,000 Americans.	▪ Boosts participation in plans unlikely to voluntarily include automatic enrollment ▪ Ensures more employees receive maximum employer matching contributions ▪ Adding automatic enrollment does not increase employer disclosure burdens
Provide an enhanced automatic enrollment tax credit of up to $1,000 per year for a five-year-period to small employers with 100 or fewer employees	Plans with 100 or fewer participants make up about 88% of all plans—and an enhanced tax credit provides an incentive for offering automatic enrollment.	▪ Helps small employers manage their costs, which are higher than expenses for large plans ▪ Offers a pathway for a small plan to build assets and reduce fees so that their costs become more comparable to large employers

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

CLOSING THE RETIREMENT SAVINGS GAP

Ascensus is dedicated to helping more Americans save for retirement. Expanding automatic enrollment will contribute significantly to narrowing the retirement savings gap.

PROPOSAL

Remove the Grandfather Rule that exempts 401(k) and 403(b) plans set up before December 29, 2022, from the requirement to include automatic enrollment.

Impact
Removing the exemption could expand retirement savings participation to include an additional 15 million Americans.

RATIONALE

Boosts Participation
Plans with automatic enrollment have a 79% participation rate as compared to 46% for traditional opt-in arrangements.[1]

Benefits All Employees
Automatic enrollment especially helps young and low-wage workers.

- **Ages 18-24**
  Participation jumps from 18% to 65%.
- **Income <$15,000**
  Participation rises from 16% to 58%.

Provides Consistency to Workers
Plans with under 100 participants are less likely to use automatic enrollment, meaning employees in grandfathered plans might never be offered the benefits of automatic enrollment.

Supports Job Changers
Automatic enrollment ensures consistent savings for job changers because it increases participation early in employment[2]—crucial since median job tenure is just 3.9 years.[3]

Streamlines Employer Decisions
Simplifies plan administration by mitigating risk of misapplying the grandfather rule.

---

[1] Of the 135, 409 401(k) and 403(b) plans represented, 130,783 are micro plans (less than 100 participants), 4,130 are small plans (between 100-499), 488 are mid or large plans (up to 5,000 employees), and 8 are mega plans.

[2] Ascensus Recordkeeping Data (June 2025).

[3] U.S. Bureau of Labor Statistics. "The Economics Daily: Median tenure with current employer was 3.9 years in January 2024." Accessed October 11, 2024. https://www.bls.gov/opub/ted/2024/median-tenure-with-current-employer-was-3-9-years-in-january-2024.htm

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

Increasing Retirement Plan Participation Rates with Automatic Enrollment

Proposal to Eliminate the Grandfather Rule

Current State

The SECURE 2.0 Act (SECURE 2.0) generally requires employers that establish new 401(k) and 403(b) plans after its enactment to include an automatic enrollment feature. An exception to this requirement, referred to as the "Grandfather Rule," applies to plans that were in existence prior to December 29, 2022 (i.e., pre-enactment plans).

Proposal

Remove the Grandfather Rule pertaining to 401(k) and 403(b) plans effective for the first plan year beginning on or after January 1 of the second plan year following enactment.

Rationale

(1) The Grandfather Rule reduces participation.
In 2022, before SECURE 2.0, 401(k) and 403(b) plans had 86.3 million eligible participants[1]. Of those 86.3 million, the automatic enrollment feature was unavailable to 52 percent, or approximately 45 million workers[2].

Ascensus participation rates are 79 percent for plans with automatic enrollment and 46 percent for traditional opt-in plans[3]. Based on this data, removing the Grandfather Rule will result in nearly 15 million new savers[4].

---

[1] U.S. Department of Labor, Employee Benefits Security Administration. "Private Pension Plan Bulletins: Abstract of 2022 Form 5500 Annual Reports." https://www.dol.gov/sites/dolgov/files/EBSA/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2022.pdf

[2] U.S. Bureau of Labor Statistics. "What is automatic enrollment in savings and thrift defined contribution plans?" Accessed August 29, 2025. https://www.bls.gov/ebs/factsheets/automatic-enrollment-in-savings-and-thrift-defined-contribution-plans.htm

[3] Of the 135,409 401(k) and 403(b) plans represented, 130,783 are micro plans (less than 100 participants), 4,130 are small plans (between 100-499), 488 are mid or large plans (up to 5,000 employees), and 8 are mega plans.

[4] 44,897,000 workers multiplied by 33% (79% less 46%) = 14,816,000 new savers

(2) Removing the Grandfather Rule benefits employees regardless of age or income.
Automatic enrollment increases overall participation rates, in particular marginalized groups—such as young individuals and low-wage earners.

Age Cohort	Voluntary Enrollment Participation Rate	Automatic Enrollment Participation Rate
Age 18-24	18%	65%
Age 25-34	39%	78%
Age 35-44	48%	80%
Age 45-54	53%	81%
Age 55-64	56%	82%
Age 65+	45%	71%

Annual Income Range	Voluntary Enrollment Participation Rate	Automatic Enrollment Participation Rate
Less Than $15,000	16%	58%
$15,000-$29,999	24%	67%
$30,000-$49,999	39%	79%
$50,000-$74,999	57%	86%
$75,000-$99,999	69%	89%
$100,000-$149,999	76%	92%
$150,000+	83%	93%

(3) Eliminating the Grandfather Rule will streamline decision-making for employers and help minimize errors.
The two decision trees in Appendix A visually capture the significant impact of the Grandfather Rule on plan administration. The first decision tree demonstrates the complexity in plan administration when the Grandfather Rule applies, requiring a series of detailed questions and producing 24 potential outcomes. In contrast, the second decision tree reflects the streamlined process that would result from eliminating the Grandfather Rule, significantly reducing the number of questions and potential outcomes available to the employers. These illustrations underscore how the elimination of the Grandfather Rule would make it easier for employers to determine when automatic enrollment requirements apply.

(4) Eliminating the Grandfather Rule will provide employees of small businesses the same savings opportunities as those of large businesses.
Small plans often use safe harbor contributions to avoid nondiscrimination testing, whereas larger plans are more likely to use automatic enrollment to help boost participation and pass nondiscrimination testing. In this context, automatic enrollment can

be viewed primarily as a plan benefit that also happens to benefit participants. Plans that do not need to increase participation may be less likely to voluntarily implement the feature and will be content with lower participation rates.

Number of Plan Participants	% of Plans with Automatic Enrollment
Up to 25	**14%**
26-50	**21%**
51-100	**27%**
101-499	**32%**
500+	**32%**

(5) Removing the Grandfather Rule ensures participation during job transitions.

Automatic enrollment significantly increases employee participation in earlier stages of their tenure with an employer[5]. This is consequential because the median job tenure is currently 3.9 years[6], meaning most workers are likely to leave their job before they reach a point in their employment where they would have been statistically likely to have voluntarily enrolled in that employer's plan.

Employee Tenure	Voluntary Enrollment Participation Rate	Automatic Enrollment Participation Rate
0-1 Years	**27%**	**72%**
2-3 Years	**36%**	**76%**
4-6 Years	**48%**	**81%**
7-9 Years	**57%**	**83%**
10+ Years	**68%**	**85%**

Eliminating the Grandfather Rule also ensures more consistent participation rates for individuals who change jobs. While automatic enrollment is common, grandfathered plans can cause employees to miss out on savings if they expect seamless enrollment when switching jobs.

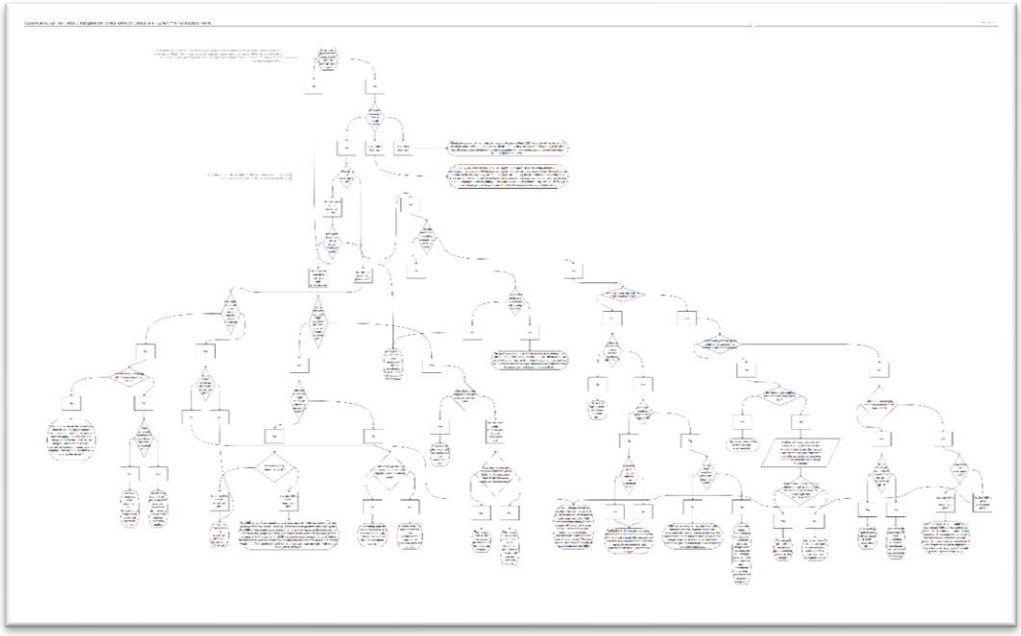
[5] Ascensus Recordkeeping Data (June 2025).

[6] U.S. Bureau of Labor Statistics. "The Economics Daily: Median tenure with current employer was 3.9 years in January 2024." Accessed October 11, 2024. https://www.bls.gov/opub/ted/2024/median-tenure-with-current-employer-was-3-9-years-in-january-2024.htm

Appendix A

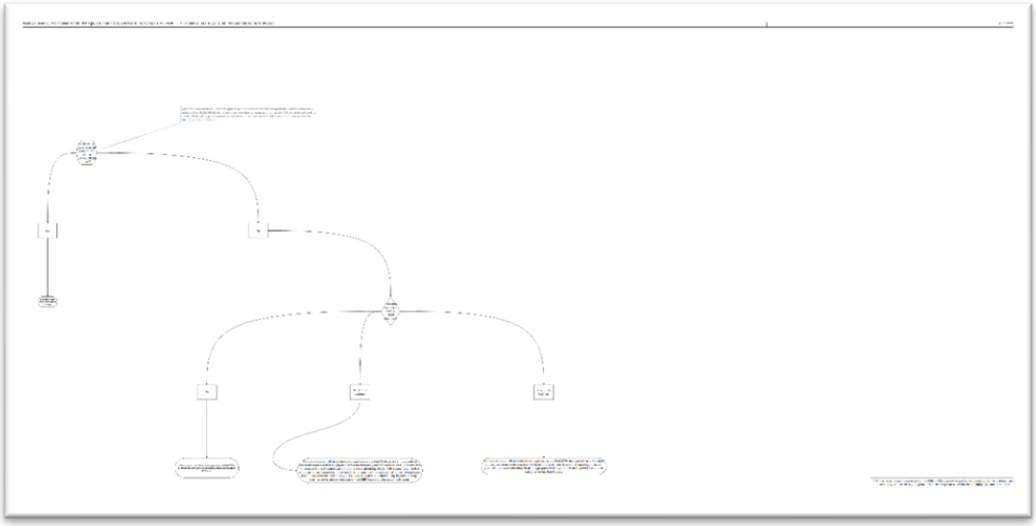
Ascensus Automatic Enrollment Decision Tree

Based on Current Requirements



Ascensus Automatic Enrollment Decision Tree

Based on Grandfather Rule Eliminated



This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

CLOSING THE RETIREMENT SAVINGS GAP

Ascensus is dedicated to helping more Americans save for retirement. Expanding automatic enrollment will contribute significantly to narrowing the retirement savings gap.

PROPOSAL

Increase the minimum initial deferral rate from 3% to 6%.

Impact
Increasing contribution rates substantially reduces the likelihood of outliving assets[1].

RATIONALE

Increasing deferral rates will ensure receipt of matching contributions
Employer matching contributions make up about 44% of total plan contributions[2], so missing out on receiving the full match can significantly hurt participants over time.

A 3% deferral rate prevents participants from receiving a matching contribution as most formulas require a 4% to 6% deferral to receive the full matching contribution.

Federal TSP Increases Benefit Participants
The federal Thrift Savings Plan (TSP) increased the automatic enrollment deferral rates in 2020. TSP program participants benefited from this change, with overall deferral rates increasing and plan participation remaining high[3,4]. Private sector plans will likely see similar results.

TSP Deferral Rates Increased
In the years following the deferral rate change, there has been a 10% rise in the number of people contributing at a rate of 5 to 6%, which was largely due to a reduction in contributors at the 3 to 4% rate.

---

[1] Jack VanDerhei. "How Much Needs to be Saved for Retirement After Factoring in Post-Retirement Risks: Evidence from the EBRI Retirement Security Model®." EBRI Notes 36 no. 4 (March 2015): 1-12. Accessed November 19, 2025. https://www.ebri.org/docs/default-source/ebri-pnotes/ebri_notes_03_mar15_svngs-hlthcntribs.pdf?sfvrsn=aed0292f_0

[2] Ascensus Recordkeeping Data (October 2025)

[3] Federal Retirement Thrift Investment Board. *Thrift Savings Plan Annual Report 2023*. Washington, DC: Federal Retirement Thrift Investment Board, 2023.

[4] Federal Retirement Thrift Investment Board. *Thrift Savings Plan Annual Report 2024*. Washington, DC: Federal Retirement Thrift Investment Board, 2024.

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

Increasing Retirement Plan Participation Rates with Automatic Enrollment

Proposal to Increase the Minimum Initial Deferral Rate from 3% to 6%

Current State

Qualified Automatic Contribution Arrangements (QACAs) and Eligible Automatic Contribution Arrangements (EACAs) that meet the SECURE 2.0 Act (SECURE 2.0) requirements must automatically enroll employees at a minimum initial deferral rate of at least three percent, with required increases thereafter.

Proposal

Increase the minimum initial deferral rate from three percent to six percent for plans that have an automatic enrollment feature[1]. The increase should take effect beginning on or after January 1 of the second calendar year following enactment.

Rationale

(1) Participation Rates Remain Unchanged When Minimum Initial Deferral Rates Increase.

The federal Thrift Savings Plan (TSP) increased the automatic enrollment deferral rate from three percent to five percent in 2020. This change generated a net positive effect in the form of higher contribution rates, increased matching contributions, and sustained participation rates despite the increase. Similar outcomes can be expected for private sector plans.

Data from the TSP program reflects the following positive impacts of increasing the minimum initial deferral rate from three percent to five percent in 2020.

- Deferral rates of 5% to 6% increased approximately 10% from 2019 to 2024; at the same time there was a corresponding decline in deferral rates of 3% to 4%. This

[1] This proposal assumes that Automatic Contribution Arrangements (ACAs) would be eliminated, and the majority of EACAs will follow SECURE 2.0 requirements.

illustrates the willingness of employees to accept the savings rate that is assigned to them, even when it is marginally higher.
    - In 2019, prior to the increase, approximately 17% of participants had a deferral rate of 3% to 4%[2], while 30% of participants had a deferral rate of 5% to 6%.
    - By 2024, only 8% of participants had a deferral rate of between 3% and 4%, and over 40% of participants deferred at a 5% and 6% rate[3].
- The increase in the initial deferral rates also corresponds with a modest increase in overall plan participation, increasing from 93.8% in 2019, to 95.9% in 2024. This indicates that increased deferral rates did not result in more employees opting out.
- The high participation rates among the youngest and lowest paid workers remained steady following the initial deferral rate increase; reflecting that groups experiencing the most significant increases due to automatic enrollment continue to maintain higher deferral rates.

(2) Increased Initial Deferral Rates Will Ensure More Employees Receive an Employer Match.

An initial enrollment rate of three percent may result in certain employees forfeiting a portion of their employer matching contribution. By increasing the minimum initial enrollment rate to six percent, most plan employees eligible for a match will receive the full employer contribution. Employer matching contributions are a critical part of the retirement savings landscape, accounting for approximately 44 percent of total plan contributions[4], so not receiving the full match can have a substantial negative impact on individual plan balances in the long term.

While not all automatic enrollment arrangements require employer contributions, QACAs are required to provide safe harbor nonelective or matching contributions. A QACA matching contribution must be at least 100 percent of an employee's contribution up to one percent of compensation and a 50 percent matching contribution for the employee's contribution above one percent of compensation but not more than six percent of compensation. This formula is used for 73 percent of Ascensus plans that provide a QACA

---

[2] Federal Retirement Thrift Investment Board. *Thrift Savings Plan Annual Report 2023*. Washington, DC: Federal Retirement Thrift Investment Board, 2023.

[3] Federal Retirement Thrift Investment Board. *Thrift Savings Plan Annual Report 2024*. Washington, DC: Federal Retirement Thrift Investment Board, 2024.

[4] Ascensus data shows that the median salary deferral is 5%. For plans that offer an employer match, the median match is 4%. Using these estimates, the match accounts for 44.4% of the 9% median total contribution.

match. Employees who are automatically enrolled at a rate of three percent will lose out on an employer match equivalent to one percent of their compensation under that typical QACA matching contribution formula.

Matching contribution amounts can vary more substantially for non-QACA plans because the employer retains more discretion over the amount of the matching contribution. However, we commonly see employers offering either a 100 percent match on the first three percent of compensation plus 50 percent match on the next two percent of compensation, or a 100 percent match on the first four percent of compensation. If plans use either of these common matching formulas, setting an initial deferral rate at six percent would help make sure auto-enrolled participants get the full employer match.

(3) Contribution Amounts Above Three Percent are Necessary for Most Individuals to Ensure Retirement Success.

An Employee Benefit Research Institute (EBRI) study[5] analyzed how much to save to achieve a "successful retirement" (defined as not running out of money) and considered what savings rates were necessary to achieve a 50 percent, 75 percent, and 90 percent probability of success.

This study found that savings rates of three percent or less would achieve a retirement success rate of only 50 percent for certain groups of savers who had advantages due to younger age or higher income. The study concluded that savings rates needed to be higher than three percent for all savers to achieve a 75 percent or greater probability of retirement success.

---

[5] Employee Benefit Research Institute. "How Much Needs to be Saved for Retirement After Factoring In Post-Retirement Risks: Evidence from the EBRI Retirement Security Projection Model.® *EBRI Notes*, vol. 36, no. 3, March 2015. Accessed November 19, 2025. https://www.ebri.org/docs/default-source/ebri-pnotes/ebri_notes_03_mar15_svngs-hlthcntribs.pdf?sfvrsn=aed0292f_0

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

CLOSING THE RETIREMENT SAVINGS GAP

Ascensus is dedicated to helping more Americans save for retirement. Expanding automatic enrollment will contribute significantly to narrowing the retirement savings gap.

PROPOSAL

Simplify automatic enrollment requirements by discontinuing the ACA option.

Impact
Automatic enrollment arrangements include three options for implementation—ACA, EACA and QACA. Each arrangement encompasses nine distinct, occasionally overlapping requirements of significance. This results in complexity for employers and regulatory agencies.

RATIONALE

Eliminating ACA will Simplify Plan Design and Administration
ACA has many unique features when compared to EACA and QACA. These unique features do not provide substantial benefits to employers but generally create complexity in plan design and operations.

ACA Usage is Declining Sharply after SECURE 2.0.
SECURE 2.0 legislation requires new plans to include an EACA option—this has already substantially reduced the use of ACAs in retirement plans within just two years.[1]

	2023	2025
ACA	65%	45%
EACA	23%	43%
QACA	12%	13%

[1] Ascensus Recordkeeping Data (October 2025)

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

Increasing Retirement Plan Participation Rates with Automatic Enrollment

Proposal to Simplify Automatic Enrollment Arrangements

Current State

Employers have many options for implementing automatic enrollment features in their retirement plans, including Automatic Contribution Arrangements (ACAs), Eligible Automatic Contribution Arrangements (EACAs), and Qualified Automatic Contribution Arrangements (QACAs). Each type of automatic contribution arrangement comes with its own set of required provisions.

Proposal

Establish uniform automatic enrollment requirements and promote streamlined plan administration by eliminating the ACA option.

Rationale

(1) The existence of three different types of automatic contribution arrangements creates a complex system that requires considerable regulatory guidance to accommodate compliant administration.

The requirements for EACA (under SECURE 2.0) and QACA are closely aligned. In contrast, ACA requirements differ significantly and allow more variation in application. This results in participants of ACA plans not benefitting to the same extent as participants of plans designed with EACA and QACA. The features of ACAs, EACAs and QACAs are outlined in the chart below.

Comparison of ACA, EACA and QACA Requirements

	ACA	EACA (Secure 2.0)	QACA
Amendment Timing[1]	Any time	First day of the plan year	First day of the plan year
Which Employees are Included	Only newly eligible employees Or All currently eligible employees	Only newly eligible employees Or All currently eligible employees	All currently eligible employees
Initial Contribution Amount	No minimum or maximum deferral amount	Minimum deferral of at least 3% but no more than 10%	Minimum deferral of at least 3% but no more than 10%
Availability of Automatic Increases	Optional	Required increases of 1% on the first day of each plan year until deferral reaches at least 10% but not more than 15%	Required increases of 1% on the first day of each plan year until deferral reaches at least 6% but not more than 15%
Maximum Deferral Percentage	None	15%	15%
Permissible Withdrawals	No	Optional	Optional
Required Employer Contributions	Optional	Optional	Required
Vesting Permitted	3 Year Cliff or 6 Year Graded	3 Year Cliff or 6 Year Graded	2 Year Maximum
Extended Period to Correct Plan Failures	No Extension	ADP/ACP Correction Extension	ADP/ACP Correction Extension

(2) Employers are increasingly moving away from ACA plans in favor of alternative automatic contribution arrangements.

ACA plans are gradually being replaced by EACA plans due to the SECURE 2.0 provision that requires automatic contribution arrangements to meet EACA requirements. Ascensus data indicates that in 2023, 65 percent of plans with automatic enrollment were designed with the ACA provision and only 23 percent had an EACA. By 2025, ACA usage declined to 44 percent of plans, while EACA plans comprised 43 percent of plans with an automatic enrollment feature. This pattern is likely to continue as EACA features are increasingly adopted post SECURE 2.0.

[1] The ability to amend to ACA at any time is a unique feature that may be seen as a benefit to plans if an amendment to automatic enrollment could be used to help pass compliance testing. This feature could be added to EACA, as there does not appear to be a statutory requirement to prevent a mid-year amendment. QACA plans are understandably more restrictive to ensure the ability for participants to receive a reasonable level of an employer safe-harbor match, if available.

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

CLOSING THE RETIREMENT SAVINGS GAP

Ascensus is dedicated to helping more Americans save for retirement. Expanding automatic enrollment will contribute significantly to narrowing the retirement savings gap.

PROPOSAL

Align operational features for EACAs and QACAs.

Impact
Employers have to make an average of 9.5 elections in a 401(k) plan document related to the operations of automatic enrollment features.

Eliminating and/or simplifying these options would help reduce plan complexity for both employers and regulatory agencies.

RATIONALE

Operational Differences Cause Avoidable Plan Errors
The available choices create differences in plan operation that frequently lead to errors that require IRS corrections. SECURE 2.0 provided safe harbor remedies for these errors considering their frequency, but aligning operations would result in fewer errors generally, and ensure participant benefits are not negatively impacted.

Choices Create Complexity Without Meaningful Benefits to Employers or Participants

Example: Timing of Salary Deferral Increases

Choices:

- An employer can choose five different points in time to implement automatic increases of salary deferrals.
- If the employer makes certain selections they have to comply with additional regulatory requirements.

Usual State: Even with choice flexibility, 98% of plans select the first day of the plan year for the timing of increase—showing a strong preference for aligning them with other plan events to ease administration.

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

Increasing Retirement Plan Participation Rates with Automatic Enrollment

Proposal to Simplify Eligible Automatic Contribution Arrangements (EACAs) and Qualified Automatic Contribution Arrangements (QACAs)

Current State

Retirement plans have many options for implementing EACAs and QACAs. Although SECURE 2.0 has streamlined certain aspects of EACAs, many administrative decisions remain at the discretion of the employer, resulting in operational differences from plan to plan.

Proposal

Simplify automatic enrollment requirements by consolidating certain options for operating EACAs and QACAs.

Rationale

Modify the operational choices for EACAs and QACAs to enhance regulatory clarity and administrative efficiency.

The availability of several automatic enrollment plan design options often leads to unnecessary errors that are required to be corrected. Errors related to excluded participants are commonly found in plans that include automatic enrollment and occur frequently enough that codified safe harbor remedies for them were established by Section 350 of Secure 2.0.

An analysis of major vendors' preapproved plan adoption agreements finds that employers are typically required to make an average of 9.5 elections related to the administration of automatic enrollment features. This is an overwhelming number of choices for employers to make in respect to a single plan feature.

Modifying EACA and QACA Plan Design Choices

Timing of Increases

Simplify plan administration by restricting the effective date of deferral rate increases to the first day of the plan year.

Currently, both EACA and QACA plans allow employers to automatically increase participant deferrals at any time. The increase could take effect on the first day of either the plan year or the calendar year; or it may be tied to the participant, aligning with their initial deferral date or annual review date. Alternatively, the employer could select any other preferred date. To further complicate QACA administration, separate elections must be made for the timing of the rate increase during the initial deferral period and the timing of rate increases for all subsequent deferral periods.

Requiring increases on the first day of the plan year will help prevent errors by allowing employers to coordinate systems and compliance steps based on a single date. This alignment ensures automatic increases are properly implemented.

Ascensus recordkeeping data indicates that over 98 percent of plans currently select the first day of the plan year for timing of automatic increases, suggesting that offering other options is unnecessary.

Amount of Increases

Require increases of exactly one percent per year up to the maximum deferral rate.

Currently, EACA and QACA plans allow the employer to specify that the annual increase can be an amount of at least one percent, up to a maximum of six percent. However, Ascensus recordkeeping data indicates that 99 percent of plans have chosen increases of one percent per year, indicating a strong preference for this option to be used as the standard.

Comparison Percentage Selection

Eliminate employer discretion on how to apply the participant's deferral rate. Employers should withhold the greater deferral amount to ensure that participants maximize their retirement savings.

For QACA plans, the employer can select how to apply the QACA deferral rate to those who already defer. The employer can choose to either withhold the default rate or choose to withhold the greater of the default rate or the participant's existing election.

Ascensus recordkeeping data indicates that 82 percent of plans choose to withhold the greater of the default rate or the participant's existing election, indicating a strong preference for this option to be used as the standard.

Expiration of Salary Reduction Agreements (i.e., Re-Enrollment)

Limit plan design to a single option that requires participants who defer at a rate below the plan's default deferral rate to be annually re-enrolled at the plan's higher default deferral rate.

For both EACA and QACA plans, the employer may either keep an eligible employee's initial affirmative deferral election in place indefinitely or have salary reduction agreements expire each plan year. If the employer opts for annual expiration of these agreements, it must identify which group of participants is affected by this decision from the available options listed below.

- Eligible employees who do not currently defer
- Eligible employees who defer at a rate lower than the plan's default deferral rate
- All eligible employees
- Specific classification of eligible employees

Employers who elect to have salary reduction agreements expire on an annual basis can subsequently facilitate the re-enrollment of participants who previously opted not to defer, or who elected to defer an amount below the plan's default deferral rate.

Employers should be required to re-enroll participants who are deferring less than the plan's default deferral rate. This approach benefits participants as changing circumstances may prompt them to resume deferring after previously opting out. Although Ascensus data indicates that only a small number of employers adopt this provision, data from the U.K. Nest program— where re-enrollment is required—shows that 43 percent of participants who initially opted out chose to participate during a subsequent automatic enrollment event with the same employer[1].

Timing of Expiration of Salary Reduction Agreements

Salary reduction agreements should expire on the first day of the plan year to simplify administration for employers and re-engage participants.

[1] Will Allport, Cynthia Pagliaro, and Matthew Blakstad. "How the UK Saves 2019, Member Experience From The National Employment Savings Trust (Nest)." Accessed November 13, 2025. https://www.nestinsight.org/uk/wp-content/uploads/2019/11/How-the-UK-saves-2019.pdf

When determining the expiration dates for salary reduction agreements, both EACA and QACA plans currently provide flexibility, permitting expirations at any chosen time. Increases may be scheduled to coincide with any of the following options listed below.

- First day of the plan year
- First day of the calendar year
- Specified Date (selected by employer)

Plan administration for employers would be simplified if expiration dates for salary reduction agreements were uniformly required to occur on the first day of the plan year.

Appendix A

Summary of Options for EACAs and QACAs

Option	EACA (Secure 2.0)	QACA	Recommendation
Comparison Percentage	Does not apply	Will the deferral that is withheld be the greater of the standard percentage or the existing election? 1. Yes 2. No	**QACA Plans** No option should be available. The plan should always withhold the greater amount. **Reasoning** The plan operations should always ensure that participants benefit from making the greatest deferral possible.
Timing of Increases	1. First day of the plan year 2. First day of the calendar year 3. Each anniversary of their initial deferral date 4. Their annual review date, if all share the same annual review date 5. Any other date specified by the plan administrator if the uniformity rule under Treas. Reg. Section 1.414(w)-1(b)(2) is satisfied	Selections must be made for both the rate increase during the initial period and for all subsequent periods for one of the following. 1. First day of the plan year 2. First day of the calendar year 3. Each anniversary of their initial deferral date 4. Their annual review date, if all share the same annual review date 5. Any other date specified by the plan administrator if the uniformity rule under Treas. Reg. Section 1.401(k))-3(j)(2) is satisfied	**EACA plans** No option should be available. The first day of the plan year should be when automatic increases occur. **QACA plans** No option should be available. No increase should occur during the initial period. For subsequent periods, the first day of the plan year should be when automatic increases occur. **Reasoning** Alignment of operations on the first day of the plan year helps avoid mistakes.

Amount of Increases	1. A percent specified by the employer that does not exceed 15% annually	1. A percent specified by the employer that does not exceed 15% annually	**EACA and QACA Plans** No option should be available. The increases should be at increments of 1%. **Reasoning** Provides simplicity in operation and follows what the vast majority of plans already choose to select.
Expiration of Salary Reduction Agreements	Salary reduction agreements will expire for 1. All eligible employees who are not deferring 2. All eligible employees deferring less than a specified % 3. All eligible employees 4. Certain classes of eligible employees 5. Salary reduction agreements will not expire		**EACA and QACA Plans** No options should be available. All employees who have deferred a specified % less than the initial % (including those opted out should have their salary reduction expire. **Reasoning** Those who have previously opted out should not be excluded in perpetuity.
Timing of Expiration of Salary Reduction Agreements	1. First day of the plan year 2. First day of the calendar year 3. Other		**EACA and QACA Plans** No option should be available. The timing should always be first day of the plan year. **Reasoning** Alignment of operations on the first day of the plan year helps avoid mistakes.

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

CLOSING THE RETIREMENT SAVINGS GAP

Ascensus is dedicated to helping more Americans save for retirement. Expanding automatic enrollment will contribute significantly to narrowing the retirement savings gap.

PROPOSAL

Require SIMPLE Plans[1] to include an automatic enrollment feature.

Impact
Extending automatic enrollment to SIMPLE Plans could expand retirement savings participation to include an additional 419,000 Americans[2].

RATIONALE

Boosts Participation
401(k) plans with automatic enrollment have a 79% participation rate as compared to 46% for traditional opt-in arrangements[3].

SIMPLE Plans could see the same increases in participation.

Provides Opportunity to Workers
SIMPLE Plans are unlikely to use automatic enrollment, meaning employees in SIMPLE plans might never be offered the benefits of automatic enrollment.

Reduces Missed Match Opportunities
Employers are required to make SIMPLE plan contributions. For those that use a matching contribution structure, automatic enrollment will help ensure employees receive the maximum amount.

Maintains Employer Ease of Administration
Employers choose SIMPLE Plans because they are easy to manage. SIMPLE Plans have existing notice requirements that align with the automatic enrollment notice requirements, so these plans can easily include automatic enrollment without creating additional disclosure burdens.

---

[1] SIMPLE IRAs and SIMPLE 401(k)s

[2] Based on Tax Policy Center data and Ascensus enrollment stats, 1.271 million individuals are eligible for SIMPLE IRAs, with 46% currently participating. Increasing participation to 79% would result in 419,000 additional savers, bringing the total to 1.004 million contributors.

[3] Ascensus Recordkeeping Data (June 2025).

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

Increasing Retirement Participation Rates with Automatic Enrollment

Proposal to Require SIMPLE IRA and SIMPLE 401(k) Plans (collectively "SIMPLE Plans") to Include an Automatic Enrollment Feature

Current State

The SECURE 2.0 Act (SECURE 2.0) generally requires employers that establish new 401(k) and 403(b) plans after its enactment to include an automatic enrollment feature.

Proposal

SIMPLE Plans[1] will be required to include an automatic enrollment feature, effective for the first plan year beginning on or after January 1 of the second calendar year following enactment.

Rationale

(1) The benefits of increased plan participation that are generated by automatic enrollment should not be restricted to 401(k) and 403(b) participants.

SIMPLE Plans are limited to employers with no more than 100 employees—which is also the employer size that is least likely to offer automatic enrollment in 401(k) plans. Since SIMPLE Plans are not subject to nondiscrimination testing, employers have little incentive to adopt this feature solely for the purpose of increasing participation to satisfy plan testing requirements.

Extending automatic enrollment to such plans will benefit thousands of workers. Data for participants of SIMPLE IRAs is less accessible than for 401(k) plans, but the Tax Policy Center reports that 0.9 percent of taxpayers (about 585,000 people) made SIMPLE IRA

[1] Note: While expanding automatic enrollment to include all plan types offers significant benefits, ancillary wage withholding issues associated with plans exempt from ERISA—such as governmental 457(b) and non-ERISA 403(b) plans—present challenges to the uniform adoption of these features across all plan types.

contributions in 2020[2]. Assuming SIMPLE IRAs have participation rates similar to 401(k) plans, only 46 percent of eligible individuals contribute. Automatic enrollment in these SIMPLE IRA plans could boost participation to 79 percent, benefiting approximately an additional 419,000[3] Americans.

(2) Employers can easily implement and manage automatic enrollment because existing notice requirements for SIMPLE Plans align well with the operational requirements of automatic enrollment.

SIMPLE Plan Notice Timing. Employee notifications must be distributed for SIMPLE Plans at least 60 days prior to the start of each plan year, and upon commencement of employment for employees who are immediately eligible to participate in the SIMPLE Plan.

Automatic Enrollment Notice Timing. Notices must be provided 30 to 90 days in advance of each plan year for any plan with an automatic enrollment feature, and when a participant becomes eligible for the plan.

The existing notice rules for SIMPLE Plans already satisfy the delivery timing requirements for automatic enrollment notices, making it easier for employers to handle notice distribution and manage deferral collection. If employers add automatic enrollment details to the required SIMPLE Plan notices and deliver them at the same frequency, they meet all notification obligations without having to track additional deadlines.

---

[2] Urban Institute & Brookings Institution, Tax Polic Center. "Who uses individual retirement accounts? | Tax Policy Center." Accessed November 18, 2025. https://taxpolicycenter.org/briefing-book/who-uses-individual-retirement-accounts

[3] Based on Tax Policy Center data and Ascensus enrollment stats, 1.271 million individuals are eligible for SIMPLE IRAs, with 46% currently participating. Increasing participation to 79% would result in 419,000 additional savers, bringing the total to 1.004 million contributors.

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

CLOSING THE RETIREMENT SAVINGS GAP

Ascensus is dedicated to helping more Americans save for retirement. Expanding automatic enrollment will contribute significantly to narrowing the retirement savings gap.

PROPOSAL

Provide an enhanced automatic enrollment tax credit of up to $1,000 per year for a five-year period to small employers with 100 or fewer employees.

Impact

The majority of retirement plans are those that have 100 or fewer participants—approximately 88%[1] of all plans.

Many of these plans are exempt from automatic enrollment and must be encouraged to offer this feature on a voluntary basis.

RATIONALE

Helps Small Employers Manage Costs

Plans with less in assets pay higher service fees, making it more difficult for small employers to offer retirement benefits.

Offers a Pathway for a Small Plan to Build Assets and Reduce Fees

Automatic enrollment helps the plan size increase faster—both in terms of number of participants and amount of assets, helping small employers more quickly reach cost levels that are similar to larger plans.

---

[1] PEW Charitable Trusts. "Small Employers Economics of Offering Retirement Savings Plans." July 2024. Accessed December 4, 2025. https://www.pew.org/en/research-and-analysis/issue-briefs/2024/07/small-employers-economics-of-offering-retirement-savings-plans

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.

ASCENSUS

Increasing Retirement Plan Participation Rates with Automatic Enrollment

Proposal to Offer Enhanced Employer Tax Credits for Implementing Automatic Enrollment

Current State

Under the SECURE 2.0 Act (SECURE 2.0), employers with 100 or fewer employees who implement an automatic enrollment feature in their retirement plan are eligible to receive a tax credit of $500 per year for a three-year period.

Proposal

Provide an enhanced automatic enrollment tax credit to small employers with 100 or fewer employees of up to $1,000 per year for a five-year period beginning on or after January 1 of the calendar year following enactment.

Rationale

An enhanced automatic enrollment tax credit will help offset the higher administrative costs small employers incur when offering plans.

A Bureau of Labor Statistics News Release[1] reports that private employers spend an average of $1.54 per hour, per worker (about $3,000 annually) to provide retirement benefits. While much of this cost is attributable to plan contributions, part is attributed to administration. Average administration costs are higher for small firms. A Pew Charitable Trusts Brief reports that plans under $25 million in assets may pay twice the fees of large plans with $500 million or more in assets. Small employers that offer a retirement plan benefit most from the enhanced tax credit as automatic enrollment increases participants and assets, accelerating growth and reducing fees so small employers reach cost efficiency faster.

---

[1] U.S. Bureau of Labor Statistics. "Employer Costs for Employee Compensation - June 2025." Accessed November 20, 2025. https://www.bls.gov/news.release/pdf/ecec.pdf

This material is for informational purposes only and is not intended to provide legal, tax, accounting, or investment advice. Consult with your own independent advisor for guidance on your specific issues or questions. This content reflects known information as of December 2025, but may be subject to change and is not represented to be error free.

Ascensus, LLC provides administrative and recordkeeping services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services. Ascensus® and the Ascensus logo are registered trademarks of Ascensus. LLC. Copyright ©2025 Ascensus, LLC. All Rights Reserved.