Get Ready for the Mandatory Automatic Enrollment Beginning January 1, 2025!

Dear Plan Sponsor,

We would like to update you on the steps Slavic401k is taking to prepare for the new automatic enrollment requirement that will start on January 1, 2025. As you may know, effective January 1, 2025, the SECURE 2.0 Act mandates that all NEW plans, including those established on or after December 29, 2022, include an "Eligible Automatic Contribution Arrangement" (EACA) that satisfies certain requirements.

Quick overview of the mandatory automatic enrollment provisions:

1. New plans must automatically enroll employees at an initial rate between 3% and 10% of compensation and auto escalate the rate by 1% each plan year up to a minimum of 10% and a maximum of 15% of compensation.
   - *Slavic401k will implement the following automatic enrollment provisions:*
     - Initial deferral rate of 3% pre-tax
     - Rate will auto escalate by 1% each plan year
     - Auto escalation rate will be capped at 10%
2. Automatic contributions must be invested in the plan's Qualified Default Investment Alternative (QDIA), absent participant self-directed investment election.
3. Participants can opt out and may withdraw contributions within 90 days of being automatically enrolled.
4. Exemptions to automatic enrollment:
     - Plans adopted (date adoption paperwork signed) before December 29, 2022
     - Employers with ten or fewer employees
     - Employers in business for less than three years

   Slavic will exempt only those plans with an initial plan effective date before December 29, 2022. (Employers with plans merging into a MEP would not be subject to the mandatory automatic enrollment if the prior plan effective date is before December 29, 2022).
5. All eligible participants are automatically enrolled unless they affirmatively elect to contribute or not contribute to the plan.
6. Plan amendments not due until December 31, 2026.
   - *Plans using the Slavic401k pre-approved plan document will not be amended earlier than December 31, 2026.*

How is Slavic401k getting ready for the required automatic enrollment?

1. Reporting

We are finalizing the work of identifying all adopting employer plans subject to the mandatory automatic enrollment based on the data in our system through June 30, 2024. In September 2024, we will review our data again to identify any additional plans subject to the mandate. Once the correct plans are identified and confirmed we will update the plans in our system to incorporate the mandatory automatic enrollment plan specifications for compliant administration.

As the Plan Sponsor, you will have access to Automatic Enrollment reports, which will help you track which of your clients are subject to the mandate.

The following reports will be available on the Sponsor Portal on or around July 15, 2024:

- **Adopting Employer Report** – list of adopting employer plans required to either include the mandatory automatic enrollment or to modify their existing automatic enrollment effective January 1, 2025. The report will include:
  - Plan ID
  - Employer Name
  - Plan Effective Date
  - Prior plan effective date (if applicable)
  - Current automatic enrollment feature (if applicable)
  - Indicator of 'Y" if plan has a matching contribution
  - Number of participants <u>without</u> an affirmative contribution election
  - Employer contact information

  Participant Report – list of participants we have identified as potentially having an incorrect employment status but that may be subject to the automatic enrollment.
  - The report will include:
    - Participant with an active status with no wages and contributions
    - Participants with a terminated status with wages

Initial reports will include information for plans with effective dates though June 30, 2024. The reports will again be updated shortly after September 1, 2024, for any NEW plans set up <u>after</u> June 30, 2024. You will be notified once the updated reports are available.

Reports are available here:
www.slavic401k.com→ Log In → Sponsor → Reports → On Demand → Audit → **AE Adopting Employer Audit Report**

Plan Sponsor Action:
Promptly review the information provided in these reports and provide us with any updates and corrections. To effectively communicate with your clients, we need to confirm that the contact information we have is correct and complete.

Please provide us with any updates and corrections by August 9, 2024, by contacting your designated client success team or contact us at ClientSuccess@Slavic401k.com.

2. All NEW plans must have automatic enrollment starting September 1, 2024

For the best reporting accuracy and for Slavic401k to implement the mandatory automatic enrollment provision in the most compliant and efficient way, we require that all NEW plans effective September 1, 2024, and after, include the mandatory automatic enrollment provision.

Plan Sponsor Action:
Please communicate this requirement to your new clients subject to the mandatory automatic enrollment during your onboarding process. This is especially important for Plan Sponsors who don't have the Slavic plan advisors assisting their clients with consultations and adoption paperwork. Not meeting this requirement may slow down the plan set up.

3. Employer Communication

SECURE 2.0 delayed the deadline for the required amendments. This means that plans do not have to be amended for the mandatory automatic enrollment provision until December 31, 2026.

As a result, Slavic401k will inform all affected adopting employers of the change in their plan design and how it affects the plan and their employees. Several communications are planned to be distributed to impacted adopting employers with the first one scheduled to go out mid to late August 2024. We will provide you with a copy of the communications before they are sent to your clients.

Plan Sponsor Action:
Non-Slavic plan document plans: If you prefer that a different default automatic enrollment provision be communicated to your adopting employers than the one described in item 1 under 'Quick overview of the mandatory automatic enrollment provisions', please let us know by August 9, 2024, by contacting your designated client success team or contact us at ClientSuccess@Slavic401k.com.

4. Participant Communication and notice requirement

The first communication to participants in plans subject to the mandate will be sent mid to late September 2024.

The IRS notice for automatic enrollment, which is required by law, will be sent at least 30 days before January 1, 2025, as part of our yearly disclosure package.

A communication reminding participants of the upcoming automatic enrollment will be sent closer to January 1, 2025.

We are enhancing the current automatic enrollment notice to give additional guidance on how to opt out and request a 90-day withdrawal distribution.

5. Transmission of Automatic Enrollment Rates from Slavic to Plan Sponsor

We will send the participant deferral rates either through the Data Bridge or, if your payroll software is integrated with ours, via API (Application Programming interface).

Our goal is to submit all deferral rates to you by the end of November 2024. Prior to sending the automatic enrollment rates on the Data Bridge or via API, we may provide you with the report of participants we project will be automatically enrolled and their rates.

This report is intended to be used for helping you prepare for the upcoming changes only and is not to be used to update your payroll system.

Plan Sponsor Action:
If you are manually entering Data Bridge data into your payroll system, note that you may encounter an increased number of deferral rates to input at that time. Please be prepared for the additional work this may require.

6. Automatic enrollment opt-out and withdrawal option

We are improving our online participant experience and making it simpler for participants to stop their automatic contributions and withdraw them. We will include easy instructions on how to do this in our communications with participants.

Summary of Important Dates:

On or around July 15, 2024 – Automatic enrollment reports available on Plan Sponsor Portal

August 9, 2024 – Deadline to provide updates and corrections, and to notify Slavic401k if a different default automatic enrollment feature is to be communicated to employers

Mid to late August 2024 – First employer communication to be distributed

September 1, 2024 – All NEW plans must include Mandatory Automatic Enrollment provisions

Mid to late September 2024 – First participant communication to be distributed

Mid November 2024 – Required participant automatic enrollment notice to be distributed

End of November 2024 – Automatic enrollment deferral rates submitted via Data Bridge/API

Additional Employer and Participant communications will be distributed through the end of 2024.

For more information or if you have any questions about this communication, please contact your designated client success team or contact us at ClientSuccess@Slavic401k.com.