

Qualified Automatic Contribution Arrangement



Why implement a QACA provision?

- Elimination of the Actual Deferral Percentage (ADP) test so this type of refund to your highly compensated employees is no longer required.
- Top-heavy testing and the top-heavy minimum contribution requirements may be avoided.
- Employer contributions are generally tax deductible.
- Positions you to gain an edge over your competition by offering better benefits.
- Shows your employees their financial goals and retirement security are important to you.



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A Qualified Automatic Contribution Arrangement (QACA) is an automatic contribution arrangement with special "safe harbor" provisions. A QACA must specify a schedule of uniform minimum default percentages starting at 3% and gradually increasing with each year that an employee participates.

Plan sponsors are required to provide employees a notice each year that explains the provision. As a result, the plan automatically satisfies certain nondiscrimination requirements.

In the ADP TotalSource Retirement Savings (the "Plan"), an Adopting Employer can choose from the following QACA plan provisions.

- **3% non-elective contribution** for all eligible participants or with an HCE exclusion option* (regardless of whether they contribute); made per pay period or year end.
- **An employer matching contribution of 100%** of an employee's deferral up to 1% of compensation, plus 50% of the employee's deferrals above 1% of eligible compensation and do not exceed 6% of eligible compensation; made per pay period.

If chosen, the employer must make contributions to employees' accounts using one of the above methods.

In addition, employees must be 100% vested in the employer's matching or nonelective contributions either **immediately** or **after 2 years of service**.

* With this option, contributions can only be made at the end of the plan year.

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Notice of a plan's QACA provision must be provided to plan participants at least 30 days but no more than 90 days prior to the start of each plan year. ADP TotalSource, in conjunction with Voya Financial®, the recordkeeper for the Plan, will provide copies of the required notices to employees following acceptance of the safe harbor plan provision and annually as required.

Automatic increases on contribution rates.

Automatic increases on contribution rates for automatically enrolled participants is required in this plan design. The automatic deferral rate increase will be equal to 1% and will be effective each automatic enrollment anniversary date to cap out at 15% deferrals. Participants can elect to cancel the automatic increases at any time.

If adding the QACA feature to the Plan, Adopting Employers may choose one of the following Auto Enrollment rates: 3%, 4%, 5% or higher.

If you're interested in adding this feature to your Plan, please contact your 401(k) Specialist.

