

Part IV. Items of General Interest

Automatic Enrollment Features in Prototype Section 401(k) Plans

Announcement 2000-60

The Service would like to bring to the attention of prototype plan sponsors and employers that currently maintain, or are considering adopting, § 401(k) plans the availability of automatic enrollment features in pre-approved § 401(k) plans. In general, § 401(k) plans that have automatic enrollment features reportedly have had significantly higher employee participation rates than § 401(k) plans without such features.

Under an automatic enrollment feature in an employer's § 401(k) plan, a participant's compensation is automatically reduced by a specified percentage, and that amount is contributed as an elective contribution on the participant's behalf to the plan, unless the participant affirmatively elects not to have his or her compensation reduced or to have it reduced by a different amount. See Rev. Rul. 2000-8, 2000-7 I.R.B. 617 (February 14, 2000).

The Service "pre-approves" certain tax-qualified retirement plans, including § 401(k) plans, under the Service's prototype plan program, which is set forth in Rev. Proc. 2000-20, 2000-6 I.R.B. 553. Prototype plans are submitted by sponsors to the Service for review for compliance with applicable laws and procedures. Sponsors, who may be financial institutions or others, offer their Service-approved prototype plans to employers to adopt for the benefit of employees.