

# Details of the SECURE Act: Qualified Automatic Contribution Arrangement Increase Auto Enrollment Cap



RETIREMENT MANAGEMENT SERVICES, LLC  
*Plan Consulting • Administration • Design*

RETIREMENT MANAGEMENT SERVICES, LLC  
905 Lily Creek Road Louisville, KY 40243  
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# ***SECURE Act: Qualified Automatic Contribution Arrangement Increase Auto Enrollment Cap***

*Leisha Gosling, MBA, CEBS, QKA*

In late December of 2019 President Trump signed into law a budget bill to fund the government for the remainder of the fiscal year. Included as an addition to the bill was the SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019). Some of the changes within the SECURE ACT impacted the automatic contribution provisions for Qualified Automatic Contribution Arrangements.

## ***Section 102 of the Act amends the tax laws to increase the auto enrollment cap to 15%.***

The Pension Protection Act of 2006 established Qualified Automatic Contribution Arrangement plans. These plans are safe harbor plan with automatic enrollment provisions. Prior to the SECURE ACT, the plans would automatically enroll eligible participants at 3% with a 1% increase each year up to a maximum of 10 % unless the participant takes the necessary steps to opt out. This type of plan design has proven to increase participation due to the fact that employees will not take the time or steps necessary to opt out of the automatic contribution.

Effective for tax years beginning after December 31, 2019, the SECURE ACT increased the 10% maximum automatic enrollment cap to 15% in the hope that more American workers will be retirement ready.

Author comment: There has been a question that the minimum 3% contribution may mislead the employee into think they are saving enough for retirement when in fact they will fall short of their retirement goals.



Retirement Management Services, LLC  
905 Lily Creek Road  
Louisville, KY 40243

[www.consultRMS.com](http://www.consultRMS.com) Phone: 502-429-0767