

# Eligibility and enrollment

## MRT Administrative Manual



Each employer determines the requirements its employees must meet to be eligible to participate in MRT. Eligibility requirements may be impacted by the type of plan you are participating in, and the type of employer you are.

### 401(a) Plan

If you do not have highly compensated employees, you have flexibility in setting your eligibility requirements. A highly compensated employee (HCE) is defined as anyone who earned \$125,000 (updated each year) or more in 2019. If you do have HCEs, your plan must meet certain nondiscrimination requirements set out by the Internal Revenue Service.

If you cover employees who are expected to work more than 20 hours per week or for more than 5 months out of the year who meet your years of service requirement (not to exceed 5 years), and you contribute the same percentage of compensation to all participants, your plan will generally meet the nondiscrimination requirements. We can test your plan at the end of each year to make sure you meet the IRS requirements.

### 403(b) Plan

#### *Congregations and Qualified Church Controlled Organizations (QCCO)<sup>1</sup>*

Congregations and Qualified Church Controlled Organizations are not subject to IRS nondiscrimination rules and have flexibility in setting eligibility requirements for which employees are eligible to make salary reduction contributions (otherwise known as elective deferrals) and which employees will be eligible to receive employer contributions.

#### *Non-Qualified Church Controlled Organizations (non-QCCO)<sup>1</sup>*

Organizations that do not meet the requirements of a QCCO are considered non-QCCOs. Examples of organizations that are non-QCCOs are retirement communities, hospitals, nursing homes and colleges. If you are not sure whether you meet the definition of a QCCO, please consult your legal counsel.

Non-QCCOs are subject to two different sets of nondiscrimination requirements.

1. If you have HCEs, your plan must meet certain nondiscrimination requirements set out by the IRS. Generally, if you cover employees who are expected to work more than 20 hours per week or for more than 5 months out of the year who meet your years of service requirement (not to exceed 5 years), and you contribute the same percentage of income to all participants, your plan will generally meet the nondiscrimination requirements. We can test your plan at the end of each year to make sure you meet the IRS requirements.
2. Universal Availability rule - Under this rule, if you allow one employee to contribute to your 403(b) Plan through a salary reduction agreement, then:
  - a. All employees must be allowed to make these contributions.
  - b. You must provide an effective opportunity at least annually to all eligible employees to participate in your plan and begin making those contributions.

The IRS allows employers to exclude certain employees from making salary reduction contributions. These are the only limitations allowed:

- nonresident aliens with no U.S.-source income.
- student employees who are exempt from FICA tax withholding.
- employees whose contributions to the plan would be \$200 or less annually.
- employees participating in another plan you maintain.
- employees who work less than 20 hours per week.

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<sup>1</sup>The term "church" means a church, a convention or association of churches, or an elementary or secondary school controlled, operated, or principally supported by a church or by a convention or association of churches. The term "qualified church-controlled organization" means any church-controlled, tax-exempt organization described in Internal Revenue Code section 501(c)(3), that receives the majority of its support from donations. Church-controlled organizations that (1) offer goods, services, or facilities for sale to the general public, and (2) normally receive more than 25 percent of their support from either (a) governmental source, or (b) receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, are considered nonqualified church-controlled organizations.

### *How does the 20-hours per week rule work in 403(b) plans?*

You may exclude employees from participating in the 403(b) plan during their first 12 months of employment if you reasonably expect these employees to work less than 1,000 hours during that period.

In subsequent years, the employer can exclude employees only if they did in fact work fewer than 1,000 hours during the previous 12-month period. Once employees become eligible by satisfying the 1,000-hour requirement, they will always be eligible to make salary reduction contributions – regardless of the number of hours actually worked. This is different from eligibility requirements for employer contributions.

Please make sure you are complying with this rule if you exclude employees working less than 20 hours per week from making salary reduction contributions. If you prefer not having to track hours worked, remove the 20-hour rule exclusion and allow all employees to contribute.

### *Defining an effective opportunity*

The IRS requires you to notify all eligible employees at least once a year, including new employees upon hiring, about their eligibility to make salary reduction contributions. The annual notice may be sent to employees at any time, although we suggest you provide it at the same time you distribute other benefit-related notices. And we encourage you to consistently communicate to eligible nonparticipating employees throughout the year, encouraging them to set aside their own money for their future retirement needs. It's important that you document this communication in your files.

## **Enrollment**

You should notify your employees when they become eligible to participate in your plan, provide information about MRT, and encourage them to complete the enrollment process so they can designate their beneficiaries, select their investment options, and provide their contact information. Participants who don't make an investment election will automatically be placed into a target date portfolio appropriate for their age. Please contact your Everence representative if you need assistance with the enrollment process.

Please note: Employees do not need to complete enrollment paperwork to be eligible for nonelective employer contributions. If you make matching contributions in the 403(b) plan, then the employee does need to complete paperwork to make salary reduction contributions.

401(a) – Employees can contribute their own funds to their retirement account through a payroll deduction set up through the employer. Employee contributions to the 401(a) plan are after-tax. In other words, they do not reduce the employee's taxable income. If the employee wants their contribution to reduce their taxable income, that can only be done in the 403(b) Plan.

403(b) – Employees must complete a Paycheck Contribution Election form available on the Empower website and provide that to you. If Empower provides deferral recordkeeping services to you, the employee may be able to make the election on the Empower website.

Automatic Enrollment – If you participate in the 403(b) plan, you may elect to offer automatic enrollment. Automatic enrollment allows an employer to automatically deduct elective deferrals from an employee's wages unless the employee decides not to contribute or to contribute a different amount. Please call Everence if you are interested in this feature.

## **The enrollment process**

- Determine eligibility for employer contributions based on the requirements established in the employer's adoption agreement.
- Online or automatic enrollment
  - If you are set up for online or automatic enrollment, you are providing census data for employees to Empower. Instruct the employee to:
    - Log onto <https://participant.empower-retirement.com/participant/#/login>. For first-time access, press the Register tab.
    - Select the "I do not have a PIN" tab. The employee should follow the prompts to enter personal information and create a username and password.
    - Once registered, the employee can decide how much to contribute personally (if Empower is the deferral record-keeper), make investment choices, and update beneficiary information.
- Paper enrollment
  - While we allow employees to complete paperwork to enroll, we strongly encourage all employers to move to online enrollment. If online enrollment is not possible, MRT can provide an enrollment packet with forms the employee needs to complete. Please call 800-348-7468 ext. 2471, or email Everence at [mrt@everence.com](mailto:mrt@everence.com) for more information. Please allow up to two weeks for delivery of enrollment packets. Mail or fax the enrollment form to Empower using the instructions on the form.

- If the employee does not complete the enrollment process, the investment and beneficiary defaults in the plan will apply. Remind employees that the summary plan description for the Plan can be found at [www.everence.com/mrt](http://www.everence.com/mrt) under the Resources tab.
  - The investment default is a target date portfolio appropriate for the participant's age.
  - If the participant does not designate beneficiaries, or if the beneficiaries designated do not survive the participant, death benefits (if any) will be paid in the following order to the participant's:
    - Spouse.
    - Children.
    - Parents.
    - Siblings.
    - Estate.

## Updating adoption agreements

If you want to change eligibility requirements, please contact us at [mrt@everence.com](mailto:mrt@everence.com). We will lead you through the process of updating your adoption agreement.

## The eligibility and enrollment process

### Employer responsibilities:

- Determine when employees are eligible for participation.
- Notify employees they are eligible and provide enrollment materials.
- Make nonelective employer contributions for all eligible employees, even if the employee didn't complete enrollment forms.

### Employee responsibilities

- Complete enrollment process to elect investment options, name beneficiaries, and complete salary reduction agreement, if applicable. Default investment options and beneficiary designations will apply if enrollment process is not completed.