

John Hancock

RETIREMENT PLAN
SERVICES

JH EZwaySM Services
– are they right for your plan?





John Hancock's Auto Service highlights

John Hancock is committed to making plans work – and part of that commitment entails helping you select the best features and services to drive your 401(k) plan. Our **JH EZway** suite of services is designed to help your employees prepare for retirement in a more effective manner.

The **JH EZway** services automate good savings behavior such as plan participation and increasing contributions, to help put your employees on the right track toward retirement. Not only does this help your employees, but it can also help make your plan more effective.

A recent study found that 98 percent of U.S. adults currently enrolled in 401(k) plans with an automatic enrollment arrangement agree they are glad their companies offer this savings arrangement, with nearly four in five (79 percent) of them expressing strong agreement.¹ Help them make the most of this benefit by automating enrollment and contribution increases.

¹ The study was conducted by Harris Interactive® on behalf of Retirement Made Simpler (RMS), a coalition formed by AARP, the Financial Industry Regulatory Authority (FINRA), and the Retirement Security Project (RSP) November 7, 2007.

Automatic Enrollment: A popular choice with plan sponsors

The use of automatic enrollment is on the rise, thanks to the many benefits it offers to employees.

- In 2001, 9.6% of plans offered automatic enrollment²
- As of 2007, that figure has climbed to 36%³

One recent study found that companies using 401(k) plans with an automatic enrollment arrangement commonly see employee participation rates soar to between 85 and 95 percent, boosting participation especially among lower-income and minority workers, who typically have lower participation rates.¹

² Everything in its time. How 401(k) and demographics are changing the world. David Wray, PSCA National Conference. September 2007.

³ Hewitt Associates, Hot Topics in Retirement, 2007.

Get off to the right start with **JH EZstart**

JH EZstart, our automatic enrollment service, capitalizes on employee inertia and helps your employees participate in your retirement plan. Simply provide John Hancock with your plan's automatic enrollment parameters and employee census data. We help you take care of the rest, including providing you with online tools, employee communication materials and more. You can even opt to receive automatic email notifications and alerts to remind you of important tasks, such as upcoming plan entry dates and communication requirements for eligible employees. With **JH EZstart**, your employees will be experiencing the advantages associated with participating in a 401(k) plan in no time at all.

Did you know that over 70% of workers are open to the idea of automatic enrollment and automatic contribution increase?⁴

Automatic enrollment may not be right for every plan. For example, if your company experiences high participation rates, automatic enrollment might not make sense for your plan. Before you make a decision, let's review the three main types of automatic contribution arrangements provided under the Pension Protection Act of 2006 (PPA):

▶ **Automatic Contribution Arrangement (ACA)⁵**

This is the basic type of automatic enrollment feature. It pre-empts state anti-garnishment laws allowing you to automatically enroll your employees if certain notification requirements are met.

⁴ Source: Making the Most of Your DC Plan. PSCA Annual Conference. September 2007.

⁵ Effective August 17, 2006.



How are plans using automatic enrollment?⁶

- 59% of plans set the initial default percentage at 3%
- 29% of plans default rate equals the deferral necessary to receive the full employer match
- Over 50% of plans use an asset allocation investment alternative as a default option
- 53% of plans automatically enroll new employees only⁷
- Nearly four in ten employers that do not have automatic enrollment are going to add it in the next year⁸

⁶ Profit Sharing Council of America – Trends in DC Plans. September 2007 National Conference.

⁷ Source: 2006 Retirement Group at Merrill Lynch internal client survey.

⁸ Source: AARP. Employer Awareness and Attitudes About 401(k) Plans. June 2007.

► **Eligible Automatic Contribution Arrangement (EACA)⁹**

This type of automatic enrollment feature is also subject to certain notification requirements and the contributions under the arrangement are required to be invested in a Qualified Default Investment Alternative (QDIA) as described under Section 404(c)(5) of ERISA. In addition, an EACA allows for a 90 day grace period for automatically enrolled employees to withdraw their contributions (if they change their mind) as well as an extended period for the plan to make corrective distributions as a result of excess contributions and excess aggregate contributions.

► **Qualified Automatic Contribution Arrangement (QACA)¹⁰**

In addition to certain notification requirements, the QACA is subject to the following requirements:

- Automatically enrolled employees' deferrals start at 3% and are increased annually by 1% to a maximum of 10%
- Employer matching contributions or non-elective contributions must meet the prescribed minimum standards and
- Employer contributions must be vested within 2 years and are subject to certain withdrawal restrictions

If the above is met, the QACA provides for a safe harbor from non-discrimination ADP and ACP testings and the top-heavy requirement.



⁹ Effective for plan years beginning on or after January 1, 2008.

¹⁰ Effective for plan years beginning on or after January 1, 2008.

The Chart below highlights some of the key benefits and considerations to take into account before adding automatic enrollment to your plan.

Area	Benefits	Considerations
Fiduciary Considerations	<ul style="list-style-type: none"> If you offer a QDIA¹¹ (Qualified Default Investment Alternative) as part of your plan's automatic enrollment feature, you may be eligible for certain fiduciary relief under Section 404(c)(5) of ERISA Automatic enrollment maximizes plan participation which helps to realize the purpose for which a 401(k) plan is established – i.e. to help employees save for retirement 	
PPA Changes¹²	<ul style="list-style-type: none"> The PPA introduced changes to the Internal Revenue Code and ERISA to help increase plan participation so that more employees save for retirement Removal of state barriers. If your automatic enrollment feature satisfies the conditions of an automatic contribution arrangement under ERISA, the PPA provides that state laws that would prohibit or restrict such an arrangement will be preempted Safe Harbor. The PPA allows plans that provide for QACA to be exempt from top heavy, ADP and ACP testing requirements 	
Participation	<ul style="list-style-type: none"> Automatic enrollment can help maximize participation and therefore plan effectiveness Potentially helps to enable highly compensated employees to contribute more to the plan as automatic enrollment may help to raise the actual deferral percentage (ADP) of participants who are non-highly compensated employees 	<ul style="list-style-type: none"> If you have a small plan with a high participation rate (90% or more), the additional communication requirements associated with automatic enrollment may not be worth the added effort
Administration	<ul style="list-style-type: none"> You have multiple locations and arranging timely enrollment meetings is difficult Revocation of enrollment. Plans with an EACA may allow automatically enrolled employees to withdraw their contributions within 90 days after their first automatic payroll deduction should they change their mind – which appeases employees who did not take action and were auto enrolled and did not want to participate Allows you to focus more on educating participants instead of getting them to enroll in the plan Plans with an EACA have an extended period (six months after plan year end) to process corrections of excess contributions and excess aggregate contributions 	<ul style="list-style-type: none"> You have a highly transient employee base which can leave you with many small accounts to manage Communication responsibilities. As a plan sponsor, you need to provide employees with timely and adequate communication regarding the plan If you are offering a matching contribution for each employee (which is mandatory for plans with a QACA), your overall plan costs will rise as your participation rate increases
Participant Reaction	<ul style="list-style-type: none"> Makes it easy for participants to save for retirement Ensures participants who are too busy, too lazy or who feel they lack the appropriate financial knowledge are saving for their future Helps participants feel more confident and better prepared for retirement, especially those in low-income brackets who are the least likely to prepare for retirement As rising health care costs are a competing expense, automatic enrollment helps ensure employees put something aside for their retirement 	<ul style="list-style-type: none"> Except in the case of a QACA, there is the possibility that automatic enrollment can disengage interested participants and result in lower overall contribution levels Are your employees not participating now because they feel they can't afford to? Automatic enrollment may not solve your participation problem unless coupled with an education program directly addressing your employees' concerns If your plan does not provide for an EACA, employees may not be able to withdraw their contributions until a qualified distribution event occurs. This situation may upset employees who did not take the appropriate action to opt-out of participation in time

¹¹ Under guidance issued by the Department of Labor, examples of a QDIA or Qualified Default Investment Alternative include investment options such as a lifecycle fund or balanced fund.

¹² The Pension Protection Act is subject to guidance from various governmental agencies and departments.

Automatic contribution increase usage on the rise¹³

- In 2004, only 8.5% of automatic enrollment plans offered automatic contribution increase
- As of 2007, 32% of automatic enrollment plans are offering the service
- 42% of plans say they are 'very' or 'somewhat' likely to add the service in the future

¹³ Everything in its time. How 401(k) and demographics are changing the world. David Wray, PSCA National Conference, September 2007.

Build momentum with **JH EZincrease**

JH EZincrease is John Hancock's automatic contribution increase service which helps accelerate your participants' retirement savings automatically. Each year, **JH EZincrease** raises the amount participants are contributing to their 401(k) plan by a specified amount up to the plan's maximum.

JH EZincrease is a painless, strategic way to keep participants on the right track toward retirement. And while participants are unlikely to notice the small increase amounts over the short term, those extra dollars can really add up over the years as they prepare for retirement.

- Your plan can offer **JH EZincrease** either on an automatic basis to all employees or on a sign-up basis
- Employees can opt in or out of **JH EZincrease** at any time via John Hancock's participant website or toll-free phone service
- **JH EZincrease** can be offered independently of the **JH EZstart** service



Administration can be a breeze

You've already seen how selecting our **JH EZway** suite of automatic plan services can be a great way to help your participants achieve their retirement goals. And at John Hancock, we're committed to providing you with the tools and resources you need to make administration as simple as possible.

Give your participants the benefits associated with **JH EZway** services and you'll have access to a wide range of online reporting and communication tools to help make your job easier.

Online tools

- ▶ Robust, online reporting that provides details on the enrollment status of all employees
- ▶ Ability to track eligibility dates and search by past and upcoming plan entry dates
- ▶ Comprehensive download reporting options to facilitate payroll updates and reconciliation
- ▶ *Eligible Employee* data file which lists all eligible employees who require communication, available for the next three plan entry dates
- ▶ You control how the service is applied for your plan (e.g. automatic or sign-up, default maximum limit, dollars or percentage, etc.)

Communications tools

- ▶ **JH EZway Automatic Services – How They Work** brochure. A reference guide for plan sponsors highlighting how auto enrollment and automatic contribution increase works at John Hancock and the steps involved to help you in your compliance efforts.
- ▶ *Making it Easier to Save for Retirement* poster for participants
- ▶ *Making it Easier to Save for Retirement* payroll stuffer for participants
- ▶ *Employee Notification and Annual Notification* letter templates which can be co-branded to create customized and personalized communication pieces
- ▶ PowerPoint slides to educate employees on automatic enrollment, the benefits of participation and their rights under an automatic enrollment plan
- ▶ Customized enrollment form

Email Reminders

To help ensure you never miss a beat, John Hancock will send you automatic email reminders about upcoming plan entry dates, enrollment status changes, annual notification requirements, outstanding tasks and more. We will also provide you with online alerts to let you know how many employees were auto enrolled on each plan entry date.

For your convenience, all participant materials are available in English and Spanish

These are just some of the factors you may wish to consider to help determine whether automatic plan services are right for your plan.

It's an important decision
– and one that you do
not have to make alone.

Contact your Third Party Administrator (TPA) or Financial Representative to find out more about whether automatic enrollment and automatic contribution increase are right for your plan.



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