

## Understanding the Step-Up Savings service

Step-Up Savings is an optional, automatic contribution escalation service that provides a structured savings solution for participants. It helps boost participants' contribution rates through automatic, annual contribution rate increases.

- Quick and easy process for participants to elect an annual, automatic, pre-tax or Roth contribution rate increase
- Participants turn on this service during enrollment – or any time later
- Annual contribution rate increases are included in the employer's Payroll Update Report
- This service is offered at no additional cost to the plan or participants

### Step-Up Savings settings

Employers choose the settings for the plan. The most common settings are below.

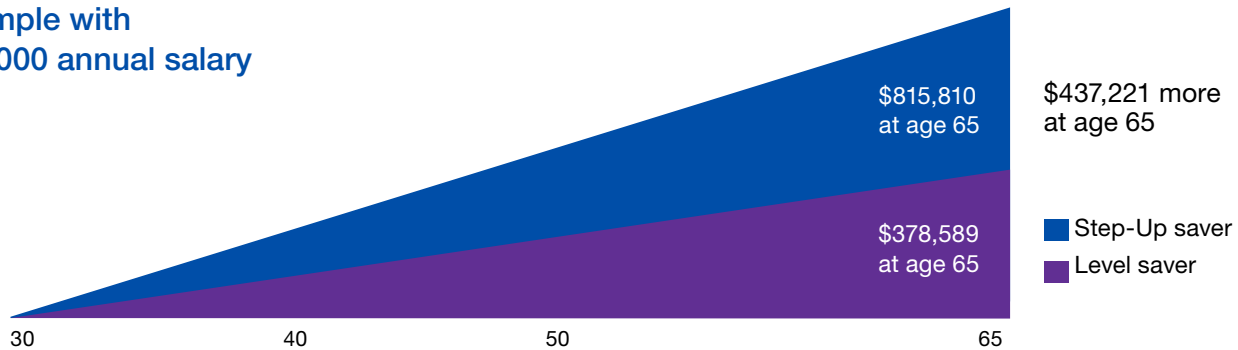
1. Minimum contribution rate to be eligible: 1%
2. Annual contribution rate increase: 1%
3. Contribution rate maximum (no automatic increases after this rate): 15%
4. Contribution rate increases apply to 401(k) pre-tax or Roth contributions.
5. Annual contribution rate increase: First day of the plan year. Or, can coincide with an annual pay increase, when participants will feel less impact of an increased contribution.
6. First increase date: The plan's next annual contribution rate increase date, regardless of when the participant enrolls in Step-Up Savings.



## STEPPING UP CAN MAKE A DIFFERENCE

Take a look at these examples to see what a difference Step-Up Savings can make.

### Example with \$30,000 annual salary



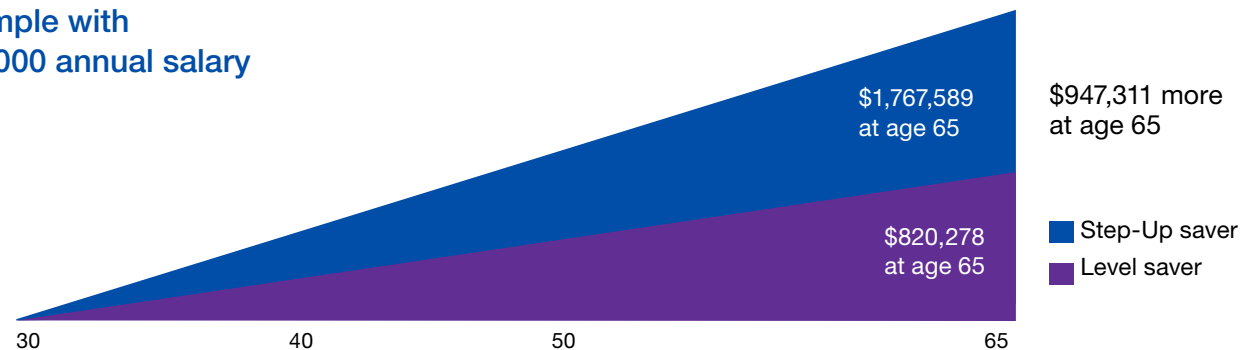
#### Assumptions:

Level saver contributes 6% each year from age 30 to age 65.

Step-Up saver starts at 6% and increases 1% each year until a contribution rate of 15% is achieved. Step-up saver continues at 15% until age 65.

Graph assumes \$30,000 salary adjusted for 3% annual inflation and a 7% annual investment return net of any fees or expenses. **The investment rate illustrated may not be indicative of the current market conditions. Investments will fluctuate and may be worth more or less than originally invested. This is a hypothetical example for illustrative purposes only. Not specific to any plan or investment.**

### Example with \$65,000 annual salary



#### Assumptions:

Level saver contributes 6% each year from age 30 to age 65.

Step-up saver starts at 6% and increases 1% each year until a contribution rate of 15% is achieved. Step-Up saver continues at 15% until age 65.

Graph assumes \$65,000 salary adjusted for 3% annual inflation and a 7% annual investment return net of any fees or expenses. **The investment rate illustrated may not be indicative of the current market conditions. Investments will fluctuate and may be worth more or less than originally invested. This is a hypothetical example for illustrative purposes only. Not specific to any plan or investment.**

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## Step-Up Savings FAQ

**Q:** Is a plan amendment required to add Step-Up Savings?

**A:** No plan amendment is required.

**Q:** Is there an additional cost to add Step-Up Savings?

**A:** No.

**Q:** Can plan sponsors elect to automatically turn on the Step-Up Savings service for all participants?

**A:** No. Employers may elect to offer this service to participants through the plan, but participants individually decide to opt in to the service.

**Q:** How do participants opt in and opt out of this service?

**A:** Participants may opt in or opt out of this service online or via paper form. Newly eligible participants can elect Step-Up Savings at enrollment.

**Q:** Are Roth contributions eligible for Step-Up Savings?

**A:** If a plan allows Roth contributions the participant will be prompted to decide if they want to step up their pre-tax, Roth or both contribution rates. The minimum, step-up rate and step-up maximum will be managed independently.

**Q:** Once a participant elects the Step-Up Savings service, can they actively change their contribution rate and remain in Step-Up Savings?

**A:** Yes, participants can actively make a contribution rate change and continue using Step-Up Savings, as long as the new contribution rate is lower than the maximum rate established under the Step-Up Savings service.

**Q:** Are other plan services required to add Step-Up Savings to the plan?

**A:** Yes, a plan must allow participants to make or change contribution rate elections online.

**Q:** How are annual contribution rate increases communicated to plan sponsors?

**A:** Contribution rate increases are communicated in a weekly email reminder, where employers are asked to review the rate changes on the Payroll Update Report on PlanNet.

**Q:** How do employers know which employees are participating in Step-Up Savings?

**A:** Employers can identify which participants have elected Step-Up Savings by selecting the "Employer Reports - Customize a report" option on the plan sponsor website. From there, select "Step-Up Savings."

**Q:** Is an annual participant notice required if Step-Up Savings is offered in the plan?

**A:** No, a participant notice is not required.





## Learn more

If you're an employer, contact your financial professional or representative from The Standard if you have questions. If you're a financial professional, contact our sales team at **844.239.3561**.

The Standard 1100 SW Sixth Avenue, Portland, OR 97204 | [standard.com](https://www.standard.com)

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