



Eligibility Requirements Trend Continues

The responses of more than 500 employers to a Profit Sharing/401(k) Council of America survey indicate that service and age requirements for 401(k) plans are minimal for increasing numbers of companies.

The *401(k) and Profit Sharing Plan Eligibility Survey, 2010* found that 60 percent of plans allow immediate participation, and 78 percent permit participation within the first three months of employment. About 38 percent of small plans (fewer than 100 employees) allowed elective deferrals within the first month of employment. Among large companies (1,000 or more employees), nearly 90 percent permit entry within the first three months.

Only 11 percent of plans require one year or more of service for eligibility to participate.

Regarding matching contributions, 60 percent of plans require three months or less of service for eligibility. Almost 32 percent allow eligibility for non-matching employer contributions within the first three months.

Minimum age requirements continue to apply in fewer plans. About 44 percent of plans have no minimum for participation, and roughly the same percentage applies to both matching and non-matching company contributions.

Where a minimum age requirement exists, the most common age is 21.

The trend toward liberal service requirements is strong. In 1998, only 24 percent of plans permitted employees to contribute immediately upon employment. In 2005, that figure had grown to about 49 percent of plans. In 2010, 60 percent had no service requirement.

Immediate eligibility for matching contributions was present in 36 percent of plans in 2005, versus 48 percent in 2010. The trend is less strong regarding non-matching employer contributions: 17 percent of plans offered immediate eligibility in 2005, compared to 25 percent in 2010.

The full results are available at <http://tinyurl.com/PSCA2010Eligibility>.