

Oracle Fusion Cloud Human Resources

How do I set up 401(k) benefit plans with default enrollment and waive capabilities?

24D



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G17256-01

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How do I set up 401(k) benefit plans with default enrollment and waive capabilities?

1 Implementation Summary

Scope

Use this playbook to learn how to set up a 401(k) plan for your enterprise through a scenario. It includes implementation steps to configure components involving the main plan, the catchup plan, and waive plan. There are steps to test your setup to make sure your configuration works as expected.

Scenario

You're a benefits administrator for Vision Corporation. In line with its benefits policy, you plan to set up a 401(k) savings plan for employees, with these features.

Aspect	Details
Eligibility	All full-time regular employees in the United States can participate in this plan.
Default Enrollment	<p>By default, a pretax contribution (4% of stated salary) is deducted from each pay period. The defaults are applied when you evaluate the life event.</p> <p>Employees can change the contribution at any time.</p>
Employee Contribution	<p>Employees can make either pre-tax or after-tax contributions year-round, up to USD 23,000.</p> <p>Employees older than 55 years can make after-tax catchup contributions when they exceed the 23,000 USD limit.</p>
Employer Contribution	Vision Corporation matches 50% (after-tax) of each employee's contribution, up to 6% of the employee's salary.
Waive	Employees can entirely opt out of the 401k plans.

Setup Approach

At a high level, here's a diagram that shows you the main components that are involved in setting up the 401k plans.

Legal Entity



401(k)
Elements



1. Here are the key setup steps to accomplish the scenario:

- 1.** In the Plan Configuration work area, use the Benefit Options task to create 2 options to accept pretax and after-tax contributions.
- 2.** Use the Benefit Service Area task to create a postal code range that covers all ZIP codes in the US. You'll use this postal range to define an eligibility profile.
- 3.** In the Plan Configuration work area, use the Eligibility Profiles task to set up an eligibility profile to check for full-time regular employees residing in the US using the postal code range you created. You'll link this profile to the main 401k plan and the Waive plan.
- 4.** Set up another eligibility profile that includes the criteria from the previous step, but with an additional criterion to check for employees older than 55 years. You'll link this eligibility profile with the catchup plan.
- 5.** Use the Plan Types task to create a savings plan type.
- 6.** Use the Elements task in Payroll to create a Pretax deduction element (Deferred Compensation 401(k) secondary classification), at the Payroll Relationship level. Use the questionnaire to have Payroll create an employer match contribution element and enforce standard 401(k) compensation rules.
- 7.** Create an After-Tax deduction element (Voluntary Deductions, Benefits After Tax) at the Payroll Relationship level.
- 8.** For both the employee and employer elements, add element eligibility without any criteria. Deselect the automatic entry check box.
- 9.** Create the main 401k plan. Add the pretax and after-tax options you created in Step 1. Add the eligibility profile you created in step 3 and the unrestricted life event. Make sure you set the pretax option as the default enrollment rule. Set a maximum limit of 1 option so that participants can select only 1 option during enrollment, not both.
- 10.** Create a waive plan and select the plan type you created in an earlier step. Select Waive as the plan function. Add the unrestricted life event to this plan.
- 11.** Create the 401(k)-catchup plan. Add the after-tax option you created in Step 1. Add the eligibility profile you created to check for employees older than 55 years. Add the unrestricted life event. Set the enrollment rule to Explicit.
- 12.** Create a primary parent rate for the pre-tax option. Link the pretax contribution element to this rate. Configure the calculation method so it accepts a flat amount from employees during enrollment.
- 13.** Create a secondary child rate for the employer matching contribution of the 401(k) plan. Link the after-tax employer matching contribution element to it. Configure a multiple-of-parent-rate calculation method so the employer matches 50% of the parent's (employee) rate.
- 14.** Create a primary parent rate for the after-tax option of the 401(k) plan. Link the after-tax employee contribution element to this rate. Configure the calculation method so it accepts a flat amount from employees during enrollment.
- 15.** Create a secondary child rate for the after-tax option. Link the employer contribution element to this rate. Configure a multiple-of-parent-rate calculation method so the employer matches 50% of the parent's (employee) after-tax rate.
- 16.** Create a primary rate for the after-tax option of the 401(k)-catchup plan. Link the after-tax employee contribution element to this rate. Configure the calculation method so it accepts a flat amount from employees during enrollment.
- 17.** Test your setup. Use the Benefits Service Center to search for your employee. Evaluate the unrestricted life event to see the savings plan enrollment opportunity. Make an enrollment and submit. Check whether the employer match amount appears accurately on the Confirmation page. In Payroll, use the Element Entries task for your employee to check if the benefits enrollment has recorded the 401(k) deduction entries accurately.

Before You Begin

The tasks that you can do in this playbook depend on your roles, duties, and privileges. For Benefits, you need to have these predefined HCM roles at a minimum:

- Benefits Administrator
- Benefits Specialist

For the Payroll tasks in this scenario, you need to have these roles:

- Payroll Administrator

Related Topics

- [Human Capital Management Offerings](#)

2 Create Plan Supporting Objects

Create Plan Type

You need to create a savings plan type before you create the 401(k) plan. Even though you might already have other savings plan types defined, we recommend that you create a separate one for your 401k plans. One reason is for better reporting, and the other, for setting up a waive plan.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. On the Tasks panel, click **Plan Types**.
3. Create a plan type, making sure you provide values for these fields:

Field	Value
Option Type	Savings
Self-Service Grouping	Savings

4. Save your changes.

Create Benefits Options

You need to create the pre-tax and after-tax options for use with your 401(k) plan.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. On the Tasks panel, click **Benefit Options**.
3. Create a pre-tax option using the plan type you created earlier.
4. Save your changes.
5. Likewise, create an after-tax option.

Create Postal Code Range

You need to create a postal code range for use with the eligibility profile that's used to check for employees residing in the United States, among other criteria. You can even use an existing postal code range if you've already set it up.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. On the Tasks panel, click **Benefit Service Area**.
3. Create a postal code range that covers all ZIP codes in the US.
4. Save your changes.

Create Eligibility Profile

According to the playbook's scenario, you need to include an assignment category to check if a person is a full-time regular employee, and a postal code range, to check for employees residing in the US.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. On the Tasks panel, click **Eligibility Profiles**.
3. Create a participant eligibility profile.
4. Provide a meaningful name for your eligibility profile so you can recognize it easily when creating your 401(k) plan.
5. Add an assignment category on the Employment tab and complete these fields. Leave other fields on the page as is.

Field	Value
Sequence	10
Full Time or Part Time	Full-time regular

6. Add a postal code range on the Personal tab and complete these fields.

Field	Value
Sequence	20
Postal Code Range	Select the postal code range that you created earlier.

7. Save your changes.

3 Create 401(k) Plans

Create 401(k) Plan

Here's how you create the plan.

1. Click **Navigator** > **Benefits Administration** > **Plan Configuration**.
2. Create a plan.
3. In the Basic Details step, provide a meaningful name for your plan, and complete these fields:

Field	Value
Plan Type	Select the savings plan type you created in an earlier task.
Usage	Not in program In this example, you're creating a standalone plan that's not associated with a program.
Plan Function	Savings
Status	Active
Communicated Rate Frequency	Per pay period
Defined Rate Frequency	Monthly
Rate Level	Legal Entity
Plan Default Currency	Select the applicable currency.
Global plan	Select the check box.
Enable unrestricted enrollment	Select the check box.
Year Periods	In the Availability section, select and add the relevant year periods to determine which years the plan should be available for enrollment.
Options	Add the Pre-tax and After-tax options you created earlier.

4. Click the **Eligibility** step. In the Participation tab, select the plan, and click **Create** from the **Actions** menu. Then, in the Eligibility Profiles section, add the profile (that checks for full-time regular US employees) you created earlier.
5. Open the **Enrollment** step. At the Plan level, on the General tab, **Option Limitation** section, set the minimum number of options to 1, and the maximum number of options to 1. That's because, according to the example, you want participants to select either the pre-tax option or the after-tax option, but not both.
6. At the Plan level, on the **Life Event** tab, add the **Unrestricted** life event to the plan. Complete these fields:

Field	Value
-------	-------

Enrollment Period (start and end dates)	As of event
Close Enrollment Period Date	When enrollment period ends
Coverage Start Date, Previous Coverage End Date	Event, 1 day before event
Rate Start Date, Previous Rate End Date	Event, One day before event

7. At the Pre-tax option level, on the General tab, complete these fields:

Field	Value
Default Enrollment Rule	New - default; current - same enrollment and rates. In this example, you select this rule because you want to enroll new employees in the pre-tax option by default. You want to provide existing employees the option to change the contribution rate. In any case, if employees don't make a choice, they will be enrolled in the pre-tax option by default.
Enrollment Rule	Current - can keep or choose; new - can choose. In this example, for employees who are already enrolled, you want them to be able to retain the earlier contribution rate or enter a new rate. Employees who are enrolling for the first time can enter a new rate.
Assign on default	Select this check box. In this example, you want to assign the contribution rate linked to the pre-tax option as the default rate.

8. At the After-tax option level, on the General tab, complete these fields:

Field	Value
Default Enrollment Rule	New - default; current - same enrollment and rates. In this example, you select this rule because you want to enroll new employees in the pre-tax option by default. You want to provide existing employees the option to change the contribution rate. In any case, if employees don't make a choice, they will be enrolled in the pre-tax option by default.
Enrollment Rule	Current - can keep or choose; new - can choose. In this example, for employees who are already enrolled, you want them to be able to retain the earlier

	contribution rate or enter a new rate. Employees who are enrolling for the first time can enter a new rate.
Assign on default	<p>Select this check box.</p> <p>In this example, you want to assign the contribution rate linked to the pre-tax option as the default rate.</p>

9. Save your changes.

Create 401(k) Catchup Plan

Here's how you create the plan.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. Create a plan.
3. In the Basic Details step, follow the same steps as stated in [Create 401\(k\) Plan](#) to complete the fields, except that, in the Options section, you need to add only the After-Tax option.
4. In the **Eligibility** step, at the plan level, add the eligibility profile to check for employees who are 55 years or older.
5. In the Enrollment step, at the plan level, click the **Life Event** tab, and add the Unrestricted life event.
6. In the Enrollment step, at the After-Tax option level, click the **General** tab, and complete these fields.

Field	Value
Enrollment Rule	<p>Current - can keep or choose; new - can choose.</p> <p>Employees who've enrolled in this plan can keep the existing contribution or enter a new rate. New employees can enter a new contribution rate.</p>

7. Save your changes.

4 Create Elements

Create Element for After-Tax Deductions

In the scenario, you need to create a payroll element to hold the employee's after-tax contribution towards the 401k catch-up plan.

1. Depending on your access privileges, start the **Elements** task from the My Client Groups quick actions or from the Setup and Maintenance work area.
2. Complete these fields:

Field	Value
Legislative Data Group	Select your legislative data group
Primary Classification	Voluntary Deductions
Secondary Classification	Benefits After Tax

3. Click **Continue**. In the Basic Information page, complete these fields, leaving other fields as is.

Field	Value
At which employment level should this element be attached?	Payroll relationship level
Should every person eligible for the element automatically receive it?	No You want Benefits to make the element entry, not any other application.
Can a person have more than one entry of this element in a payroll period?	No
Earliest entry date	First standard earning date
Latest entry date	Last standard earning date

4. Click **Continue**. In the Additional Details page, click **Percentage deduction** for the What is the calculation rule section. During benefits enrollment, you want participants to enter a percentage of their salary as the contribution, and you want to process that percentage in payroll.
5. Click **Next**, review the details, and submit your changes.
6. Open the element you created and create element eligibility. You don't need to enter any criteria, but make sure that the **Automatic Entry** check box is deselected.

Create Elements for Employee Contribution and Employer Match

In the scenario, you need to create payroll elements so you can send the employee and employer contributions for payroll processing.

1. Depending on your access privileges, start the **Elements** task from the My Client Groups quick actions or from the Setup and Maintenance work area.
2. Complete these fields:

Field	Value
Legislative Data Group	Select your legislative data group
Primary Classification	Pretax Deductions You use this classification to define elements for 401(k) deductions.
Secondary Classification	Deferred Compensation 401(k) This classification enables you to create elements specific to a 401(k) implementation.

3. Click **Continue**. In the Basic Information page, complete these fields, leaving other fields as is.

Field	Value
At which employment level should this element be attached?	Payroll relationship level
Should every person eligible for the element automatically receive it?	No You want Benefits to make the element entry, not any other application.
Can a person have more than one entry of this element in a payroll period?	No
Earliest entry date	First standard earning date
Latest entry date	Last standard earning date

4. Click **Next**.
5. In the Additional Details page, complete this questionnaire. Accept the default values for other questions.

Field	Value
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Enforce 401(k) Eligible Compensation Limit Check	<p>Yes</p> <p>This addresses these scenario requirements:</p> <ul style="list-style-type: none"> Employee contribution shouldn't exceed USD 23000 a year. Employer contribution in a year shouldn't exceed 6% of the employee's salary.
Should the deferred compensation 401(k) elements have an associated employer-match element?	<p>Yes</p> <p>This addresses the scenario requirement where we need to include the employer contribution in addition to the employee's contribution. A relevant employer element will be created automatically.</p> <p>Later, you link this element to an employer contribution rate that you'll create in a subsequent task.</p>

6. Click **Next**.
7. Review the details and click **Submit**.
8. Open the element you created and create element eligibility. You don't need to enter any criteria, but make sure that the **Automatic Entry** check box is deselected.
9. Click **Submit**.

Related Topics

5 Create Rates

Create Employee Contribution Rate

In this example, you create a primary parent rate of the Employee payroll contribution activity type, for the plan you created. Link the employee element (that you created previously) to this rate and configure the calculation method to accept a flat amount from employees during enrollment.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. Start the **Benefit Plan Details** task.
3. Create a standard rate.
4. Provide a meaningful name for your rate, and complete these fields:

Field	Value
Plan Name	Select the 401(k) plan you created in an earlier task.
Legal Employer	Select your legal employer. You can select the payroll element only when you select the legal employer.
Rate Display Type	Primary You want employees to enter the amount they want to contribute to the plan.
Activity Type	Employee Payroll Contribution
Unit of Measure	Percentage
Tax Type Code	Pretax
Parent or Child Rate Type	Parent
Payroll Element	Select the employee contribution element
Element Input Value	Percentage

5. In the Calculation tab, complete these fields:

Field	Value
Calculation Method	Flat amount
Participants enter value during enrollment	Select

Ranges	<p>Enter an appropriate minimum election value, maximum election value, increment, and default value.</p> <p>For example, 1-20, in increments of 1. Remember, according to the scenario, participants should enter a percentage.</p>
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6. In the processing information tab, select these checkboxes:

- Process each pay period by default
- Recurring

7. Save your changes.

Create Employer Rate Based on Pretax Employee Contribution

In this example, you create a secondary rate for the pre-tax option of the main 401k plan. Link the after-tax element (that you created previously) to this rate and configure the calculation method to calculate a contribution that's 25% of the employee contribution rate.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. Start the **Benefit Plan Details** task.
3. Click **Create > Standard Rate**.
4. Provide a meaningful name for your rate, and complete these fields:

Field	Value
Plan Name	Select the 401(k) plan you created in an earlier task.
Option	Select the pre-tax option.
Legal Employer	<p>Select your legal employer.</p> <p>You can select the payroll element only when you select the legal employer.</p>
Rate Display Type	<p>Secondary</p> <p>You want to display the employer contribution amount to employees during enrollment.</p>
Activity Type	Employer Payroll Contribution
Unit of Measure	Percentage
Tax Type Code	After-tax

Parent or Child Rate Type	Child
Payroll Element	Select the employer contribution element that you created previously.
Element Input Value	Percentage

5. In the Calculation tab, complete these fields:

Field	Value
Calculation Method	Multiple of parent rate
Multiplier	25 According to the scenario, the employer should contribute 25% of the employee's contribution.
Operator	Percentage of
Parent Rate Name	Select the employee contribution rate you created previously.

6. In the processing information tab, select **Process each pay period by default**.
7. Save your changes.

Create Employer Rate Based on After-Tax Employee Contribution

In this example, you create a secondary rate for the after-tax option of the main 401k plan. Link the after-tax element (that you created previously) to this rate and configure the calculation method to calculate a contribution that's 25% of the employee contribution rate.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. Start the **Benefit Plan Details** task.
3. Click **Create > Standard Rate**.
4. Select the main 401k plan and the After-Tax option.
5. Follow the instructions in Create Employer Contribution Rate Based on Pretax Employee Contribution to create the rest of your setup.
6. Save your changes.

Create Employee Rate for 401(k) Catchup Plan

In this example, you create a primary rate of the Employee payroll contribution activity type. Link the after-tax element to it. Configure a flat amount calculation method to accept the employee contribution as a percentage.

1. Click **Navigator > Benefits Administration > Plan Configuration**.
2. Start the **Benefit Plan Details** task.
3. Click **Create > Standard Rate**.
4. Provide a meaningful name for your rate, and complete these fields:

Field	Value
Plan Name	Select the 401(k)-catchup plan you created earlier.
Legal Employer	Select your legal employer. You can select the payroll element only when you select the correct legal employer.
Rate Display Type	Primary You want employees to enter the amount they want to contribute to the plan.
Activity Type	Employee Payroll Contribution
Unit of Measure	Percentage
Tax Type Code	After tax
Payroll Element	Select the employee after-tax contribution element
Element Input Value	Percentage

5. Ensure that these checkboxes are selected:
 - Element and input values required
 - Assign on enrollment
 - Display on enrollment
6. In the Calculation tab, complete these fields:

Field	Value
Calculation Method	Flat amount
Participants enter value during enrollment	Select

Ranges	<p>Enter an appropriate minimum election value, maximum election value, increment, and default value.</p> <p>For example, 1-20, in increments of 1. Remember, according to the scenario, you want participants to enter a percentage.</p>
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7. In the processing information tab, select **Process each pay period by default**.
8. Save your changes.

6 Test Your Setup

Test Your Setup

In this example, you use the Enrollment work area (Benefits Service Center) to test your setup as an administrator. You can even log in as an employee and use the self-service pages (My Benefits) to test the setup.

1. Click **Navigator > Benefits Administration > Enrollment**.
2. Search for your employee.
3. In the Benefits Summary page that appears, change the benefit relationship to unrestricted. If you're not seeing the unrestricted relationship, you might need to add it for the employee using the **Benefits Relationship** task.
4. Scroll down to the Evaluated Life Events section. Click **Add > Add Unrestricted Enrollment**. The 401(k) plan you created should appear as an enrolled offering because of the default settings you configured.
5. Close the enrollment and change the effective date to a date in the following month.
6. Repeat step 4 to start an unrestricted enrollment.
7. Click **Enroll**. Select the plan, and then select the after-tax option and make a contribution.
8. Try selecting both options and save. You should see an error message stating that you can select one 1 of the options. This restriction is in place because you configured the minimum and maximum options according to the scenario.
9. Review the Confirmation page and verify that the percentage amounts appear as expected.
10. Review the payroll element entries. On the Home page, click **Benefits Administration > My Client Groups**. From the Quick Actions list, click **Element Entries**. You can also start this task from the Setup and Maintenance work area.
11. In the Element Entries page, search for the employee. You should see 2 elements – the employee contribution element and the employer matching contribution element.
12. Open each element's entries to check if the deduction amounts appear as expected. The employer element entry should also display the contribution percentage and the contribution limit percentage.
13. To test the catchup-up plan, in the Enrollment page of the employee, depending on the age of the test employee, change the effective date to a date that makes the employee's age greater than 55. Make an enrollment and verify that the catch-up plan appears in the enrollment results, and relevant element entries, in payroll.

