



WEDNESDAY'S
News You Can Use

Impact and Considerations of SECURE 2.0 on DC Plans

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Session Overview

Review the continued evolution of retirement plan design through SECURE 2.0 legislation, along with the responsibilities of plan sponsors in considering and implementing its provisions. Service providers will play a key role in supporting your discussions and understanding the impact on overall plan design and compliance, particularly since there is a mix of mandatory and optional provisions.

Learning Objectives

- Identify notable provisions with SECURE 2.0 that plan sponsors will need to focus on.
- Explain key deadlines and preparations that employers can make in anticipation.
- Describe the roles service providers will play in supporting plan sponsors throughout the implementation process, and the impact adopted provisions may have on plan design.

Intro to SECURE Act 2.0

SECURE 2.0 was passed on December 29, 2022, as part of the Consolidated Appropriations Act of 2023.

Includes 90+ provisions over 400 pages, pulling from 3 House and Senate Bills:

1. Securing a Strong Retirement Act
2. Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg (Rise & Shine Act)
3. Enhancing American Retirement Now (EARN Act)

Continued Evolution of Retirement System

The objective of SECURE 2.0 is centered around the continued enhancement and support of American retirement savings, by building upon prior legislation such as the Economic Growth and Tax Relief Reconciliation Act (2001), Pension Protection Act (2006), and original SECURE Act (2019).

Summary of Historical Enhancements

- | | |
|---------------------------------|--------------------------------------|
| • Increased Contribution Limits | • Auto-Enrollment / Escalation |
| • Expanded QDIA Safe Harbor | • Roth in Qualified Plans |
| • Flexible Access to Savings | • Plan Sponsor Support |
| • Raised RMD Age | • Broadened Participant Availability |

Knowledge Check

What was the elective deferral limit in 1987?

- A. \$5,000
- B. \$7,000
- C. \$10,000
- D. \$18,000

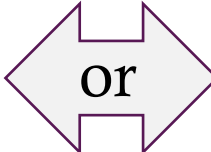
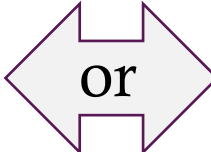
SECURE Act 2.0 Structure

Split into 4 Broad 'Titles'

- Expanding Coverage and Increasing Savings
- Preservation of Income
- Ease of Administration
- Generate Revenue

Provisions effective over 3 calendar years (2023 – 2025)



Mandatory  or  Optional

SECURE Act 2.0 Provisions

| Provision | Details | Condition | Government/ Non-ERISA | ERISA | Effective Date |
|---------------------|---|-----------|--------------------------|-------|----------------|
| RMD Age | Immediately adjusts from 72 to 73, increasing to 75 by 2033. Tax penalties for missed RMDs reduced from 50% to 25% (10% if corrected within 2 years). | Mandatory | ● | ● | Immediate |
| Roth RMD & Catch Up | Roth plan balances will be excluded from RMD considerations. Catch-up contributions must be Roth unless prior year wages do not exceed \$145,000 (optional if wages less than \$145,000). | Mandatory | ● | ● | 2024 |
| Increase Catch-ups | Limit adjusted for participants aged 60-63 to greater of \$10,000 or 150% of 2024 standard catch-up limit (indexed). | Optional | ● | ● | 2025 |

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SECURE Act 2.0 Provisions

| Provision | Details | Condition | Government/ Non-ERISA | ERISA | Effective Date |
|------------------------------|--|-----------|--------------------------|-------|----------------|
| Part-time Employees | Reduces eligibility requirement to two years from three years in the original SECURE Act. Must work a minimum of 500 hours in consecutive years. | Mandatory | | ● | 2025 |
| Cash-out Limit | Increases balance limit to \$7,000 from \$5,000 for sponsor-directed involuntary distributions - IRA rollovers of inactive/terminated accounts. | Optional | ● | ● | 2024 |
| Auto-Enrollment / Escalation | Sponsors must auto-enroll participants with a default rate between 3% and 10%, with escalation of 1% per year up to at least 10% and no more than 15%. A 90-day opt-out must be provided. For NEW 401(k) and 403(b) plans only. | Mandatory | | ● | 2025 |

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SECURE Act 2.0 Provisions

| Provision | Details | Condition | Government/ Non-ERISA | ERISA | Effective Date |
|------------------------------------|---|-----------|--------------------------|-------|----------------|
| Roth Match | Permits employees option of receiving match/non-elective contribution as Roth; will be taxable and 100% vested. | Optional | ● | ● | Immediate |
| Student Loan Matching | Allows employers to treat loan payments as eligible contributions for match purposes. | Optional | ● | ● | 2024 |
| Emergency Savings Accounts (“ESA”) | Account linked to retirement plan for penalty-free emergency withdrawals. Post-tax contributions capped at \$2,500. Employer may auto-enroll up to 3% with safe harbor treatment. | Optional | ● | ● | 2024 |

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SECURE Act 2.0 Provisions

| Provision | Details | Condition | Government/ Non-ERISA | ERISA | Effective Date |
|--|---|-----------|--------------------------|-------|---|
| Financial Incentives | De-minimus financial incentives, such as low-dollar gift cards, may now be permitted to encourage participation. | Optional | ● | ● | Immediate |
| Collective Investment Trusts for 403(b)s | Allows 403(b) plans to invest in CITs. Additional securities exemptions may be needed to make this provision work. | Optional | ● | ● | Immediate – IRS; Pending - SEC |
| QLAC Increase | Cap for QLAC exclusion from RMD rules increased from \$125,000 to \$200,000 (indexed after 2024) and removes 25% limit. | Optional | ● | ● | Immediate |

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Knowledge Check

How long would it take the average person to read through SECURE 2.0 legislation?

- A. 4 hours
- B. 7 hours
- C. 11 hours
- D. 15 hours

Public Safety Officer Pension Provisions

- Removes requirement for **payment of health insurance premiums** to be made directly from the plan for tax deduction on up to \$3,000 of gross income – effective 2023.
- Extends the 10% **early distribution penalty exemption** to also include participants with 25 years of service (previously only age 50) – effective 2023.
- Permits exclusion of service-connected **disability pension payments** for first responders after reaching retirement age – effective 2027.
- Expands **definition of public safety officer** to includes employees who provider services as a corrections officer – effective 2023.

Other Provisions

SECURE 2.0 also includes several allowances which may allow for an exemption from withdrawal penalties for personal situations such as:

Terminal Illness – total balance (requires certification by physician)

Personal/Family Emergency – up to \$1k for “unforeseeable immediate financial needs” (each year if repaid)*

Natural Disasters – up to \$22k per disaster*

Domestic Abuse – lesser of \$10k or 50% of balance*

** May be repaid into the plan over 3 years, if adopted*

Roles of Service Providers

Plan sponsors should work with their respective service providers on the review and implementation of adopted provisions.

Recordkeeper/Administrator: Implementation and updates on platform capabilities and enhancements to facilitate provisions; may assist in updating plan document if using their prototype template

Attorney: Guidance on interpretation, applicability and adoption of provisions within required plan documents

Consultant: Support the consideration of provisions, impact on plan design and implementation by recordkeeper

Guidance and Deadlines

Passage of legislation is the first step in the legal process. Next steps:

- Forthcoming guidance and rules from various agencies - IRS, DOL, Treasury, SEC, etc.
- Review capabilities, applicability and implementation with service providers
- Reflect adopted provisions in plan documents - end of first plan year after January 1, 2027, for government plans (2025 for non-government)
- Oversight of proper execution (initial and ongoing)



Source: The Consolidated Appropriations Act, 2023 (CAA 2023)

Additional Plan Considerations

Leverage ongoing review of provisions and impact on plan to discuss other ancillary considerations:

Benchmarking – Compare existing plan design elements against peers (eligibility, match, loans, hardships, investment offerings, fees, education, etc.)

Wish List - Discuss concurrent implementation of other potential plan design changes

Governance – review and clean-up existing plan and governance documents

Knowledge Check

What is the prospective deadline to reflect SECURE 2.0 amendments within plan documents for government plans?

- A. 2025
- B. 2027
- C. 2028
- D. 2032

Session Recap

Learned the provisions plan sponsors and employers will need to keep in mind.

Reviewed key deadlines and the preparations that employers can make in anticipation.

Described the roles service providers will play in supporting plan sponsors throughout the implementation process, and the impact adopted provisions may have on plan design.

QUESTIONS?



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