



SECURE 2.0

An Overview

KELSEY MAYO
Director of Regulatory Affairs

ANDY REMO
Director of Legislative Affairs





Where Are We?

IT PASSED!

Auto Enroll

Automatic Enrollment: Required

- DC plans, including 403(b)s, established after enactment required to have auto enroll
 - Enroll at 3%-10%
 - Increase 1% per year to at least 10%, but no more than 15%
- Certain exceptions
 - Businesses with < 10 EEs
 - Businesses less than 3 years old
 - Churches and governments
- Beginning 2025 PY

Starter 401(k) (and 403(b))

- Employers with no retirement plan (no size limitation)
- Must generally cover all employees (already true for 403(b) plans)
- Auto enroll at 3% to 15% with auto escalation after 2025
- No ADP testing or top-heavy test (already no testing for 403(b) plans)
- Limit on annual deferrals - \$6,000 (indexed)
 - Legislative priority: make same as the IRA contribution limits
- Available beginning in 2024



Tax Credits

Small Employer Pension Plan Start-up Credit

- Increase to 100% for ERs ≤ 50 EEs
- New credit for ER contributions for 5 years
- Beginning in 2023
- Priority – extension to non-profits

Start-up Credit for Adopting MEP

- SSRA and EARN
- Clarifies joining a MEP is eligible for credit
- Retroactively effective to 2020

Enhancement of Saver's Credit

- Increase income threshold: \$71k for MFJ
- Simplify calculation: \$50% up to \$2k
- Must be deposited in a retirement plan unless $< \$100$
 - Treated as deferral, but cannot be distributed for hardship
- Promote awareness (perhaps on short-form 1040)
- Effective 2027



Emergency Savings

Emergency Savings

- Side Car - Segregated Roth Account
- \$2,500 account limit
- Not subject to distribution restrictions on timing
- Must apply match to ESA contributions – subject to anti-abuse provision
- No fees on first 4 distributions
- Beginning in 2024

Emergency Distributions

- New hardship distribution
- \$1,000 per year
- Not eligible another emergency distribution until earlier of:
 - 3 years
 - Distribution amount is recontributed to a plan
- Available January 1, 2024



Other DC Provisions

Long-Term Part-Time

- Must allow deferrals after two years with 500 hours
- Applies to 403(b) plans as well
- 2025 PY

Student Loan Matching Program

- Provides testing modifications
- 2024 PY

401(k) Provisions

- Retroactive first-year deferrals for sole-proprietors (2023)
- Allow small financial incentives for contributing to a retirement plan (2023)

403(b) Provisions

- Allowed to invest in CITs (need additional legislative action)
- Hardship rules for 403(b) plans (2024)
- Insurance ETFs permitted (2029)
- MEPs permitted (2023)

457(b) Provision

- Eliminate "First Day of the Month" requirement for gov't plans (2023)

Catch-up and Roth

Catch-up Contribution Limits

- \$10k or 150% of 2024 catch up limit (indexed)
- Years the P attains ages 60-63
- 2025 PY

Catch-up Contributions All Roth

- Required to be Roth for Ps >\$145,000 in prior year
- Must offer Roth to others as well
- 2024PY

ER Contributions as Roth (2022)

- Participant can elect to have ER contributions as Roth contributions
- Like the Roth in-plan transfer
- Unclear if an employer who offers Roth contributions must offer this Roth option



RMDs

- **New Required Beginning Dates:** 73 in 2023; 75 in 2033
- **No RMDs from Roth Accounts (2024):** Provides Parity with Roth IRAs
- **Reduction in RMD excise taxes (2023)**
 - Reduces the excise tax to 25% (from 50%)
 - Further reduces excise tax to 10% if taken before IRS audit or (if earlier) 2nd year after year in which the excise tax is imposed
- **Calculation for Partial Annuity (2022):** Eliminates penalty for annuitization
- **Qualifying Longevity Annuity Contracts (QLACs) (2022):** QLACs can satisfy entire RMD requirement up to \$200,000
- **Remove Requirements for Certain Life Annuities (2023):** Can satisfy RMD by purchasing a fixed annuity with a circumscribed set of features
- **Special Needs Trust (2023):** Special provision for special needs trust
- **Surviving Spouse Elections (2024):** Spouse may elect to be treated as EE

Plan Corrections

Expansion of Self-Correction

- Can self-correct significant plan errors
- IRS can waive excise tax for RMD if self-corrected within 180 days

Safe Harbor for Deferral Corrections

- No QNEC required for certain auto-enroll errors corrected within 9.5 months of year in which error occurs
- Makes EPCRS correction permanent

Recovery of Plan Overpayments

- Cannot recover excess payments after 3 years unless individual caused the overpayment
- Limits on ability to recover from future plan payments





SECURE 2.0 Provisions

Disclosures

Disclosures for Unenrolled Ps (2023)

- Provide more limited information to employees who are not contributing and have no balance in the plan.

Consolidation of Notices

- Directs consolidation of retirement plan notices

Report on Improvements to Reporting and Disclosure

- Report streamlining disclosures

Paper Statement Mandate

- One benefit statement must be in paper
 - Every year for DC plans
 - Once every 3 years for DB plans
- 2026 PY

Distributions (1/2)

Natural Disasters (2022)

- \$22,000 permitted distribution; may repay
- \$100,000 loan limit

Repayment of QBAD limited to 3 years (2022)

Terminally Ill Exemption (2022)

- Exception from 10% penalty

EE Certification of Hardship Conditions (2023)

Cashout Limit (2024):

- Increase to \$7k

Withdrawals for domestic abuse victims (2024)

- Distribution available
- Exception from 10% penalty



Distributions (2/2)

Qualified Charitable Distributions (2023)

- Index \$100k exclusion limit
- Certain other modifications

Substantially equal periodic payments (2024)

- Exception can continue to apply after rollover

Auto-Portability (2024)

- PT exemption to permit use of IRA portability

LTC Premiums (2025)

- Distribution up to \$2,500 per year for payment of certain LTC premiums, exempt from 10% penalty

Treasury Must Issue Guidance on Rollover Forms (2025)



Miscellaneous



Top Heavy

- Top-heavy minimums do not have to be given to otherwise excludable EEs
- 2024 PY

Family Attribution Rule Fixes

- Eliminates community property state difference
- Eliminates aggregation due only to minor child
- No change to PBGC rules
- 2024 PY
- Treated as 410(b)(6)(C) transaction

Retro Discretionary Amendments

- Deadline to adopt increase in benefits is tax return due date
- Treated as adopted on last day of the PY
- 2024 PY

Retirement Savings Lost and Found

- DOL to create database of info
- Employers report on missing and unresponsive participants
- Due within 2 years (end of 2024)



Questions?
Let's discuss

Thank You!



NTSA

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