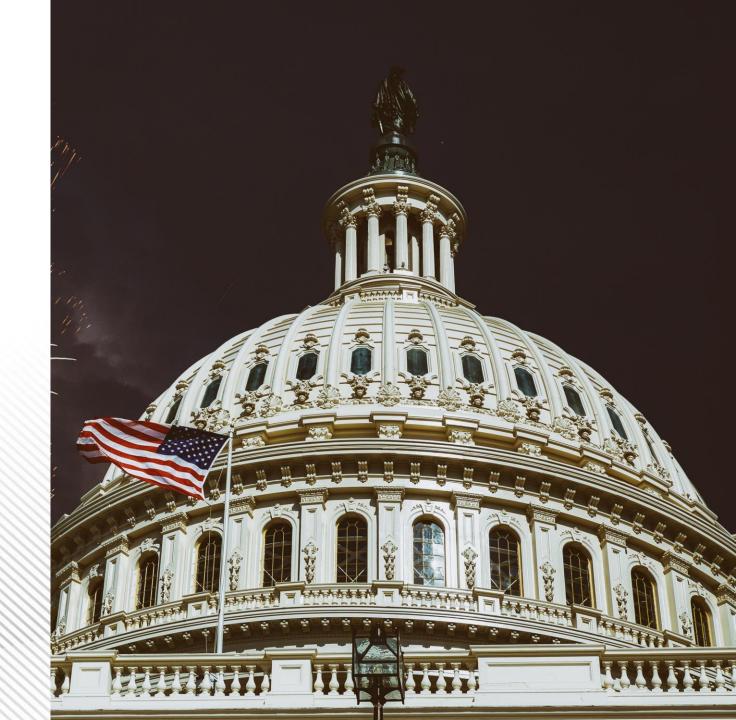


SECURE 2.0 An Overview

KELSEY MAYO Director of Regulatory Affairs

ANDY REMO Director of Legislative Affairs







SECURE 2.0 Provisions 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



SECURE 2.0 Provisions **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



SECURE 2.0 Provisions 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:
 - o 3 years
 - Distribution amount is recontributed to a plan
- Available January 1, 2024



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SECURE 2.0 Provisions -

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 soleproprietors (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)



SECURE 2.0 Provisions 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



SECURE 2.0 Provisions **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



SECURE 2.0 Provisions Plan Corrections

Expansion of Self-Correction

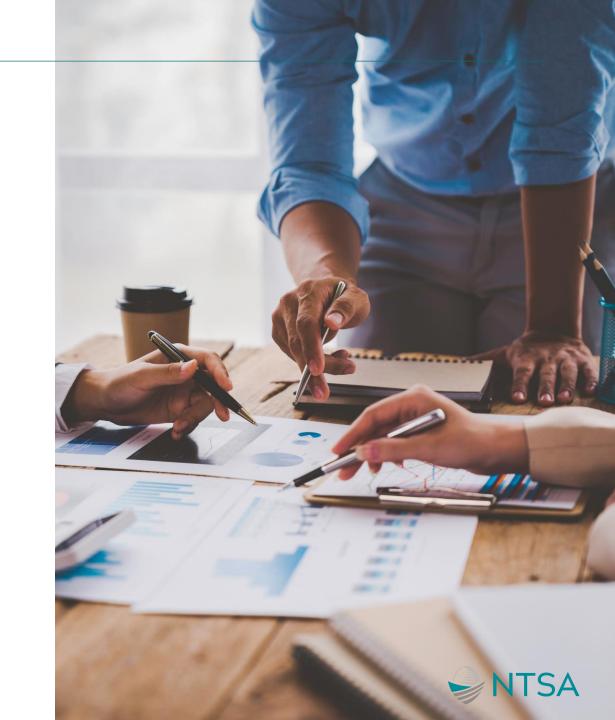
- Can self-correct significant plan errors
- IRS can waive excise tax for RMD if self-corrected within 180 days

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 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



SECURE 2.0 Provisions 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 III 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



SECURE 2.0 Provisions 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)



SECURE 2.0 Provisions 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 a d unresponsive participants
- Due within 2 years (end of 2024)



Questions? Let's discuss

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Thank You!



National Tax-Deferred Savings Association

