



SECURE 2.0

ACT OF 2022

MANDATORY PROVISIONS

Building on the SECURE Act of 2019, the SECURE 2.0 Act is a law designed to help Americans save more for retirement with more options and improved access to retirement plans. It includes several mandatory provisions that impact employer retirement plans, including the following.

IMMEDIATELY EFFECTIVE OR EFFECTIVE JANUARY 1, 2024

§ 107: INCREASE IN AGE FOR RMD REQUIRED BEGINNING DATE

Required beginning date for required minimum distributions (RMDs):

- Age 73 for those who reach age 72 after December 31, 2022 and age 73 before January 1, 2033
- Age 75 for those who reach age 74 after December 31, 2032

Effective: January 1, 2023 with respect to the age change to 73.

Impact/actions: Initial RMDs are **not** required for participants who turn 72 in 2023.

§ 325: ROTH PLAN DISTRIBUTION RULES

- Eliminates pre-death minimum distribution requirements with respect to Roth accounts in employer plans.
- RMDs due from retirement plans for distribution years after the effective date of the provision will not include Roth balances.
- Does not apply to RMDs due for 2023 and payable in 2024.

Effective: RMDs due for the 2024 calendar year

Impact/actions: Roth balances will be excluded from RMDs for 2024 and later.

§ 327: SURVIVING SPOUSE ELECTION TO BE TREATED AS EMPLOYEE

In order to be treated as if he or she were the participant for the purpose of the RMD rules, a surviving spouse who is the participant's sole beneficiary must affirmatively elect this treatment.

- For participants who die prior to beginning RMDs, the election will allow the surviving spouse to defer RMDs until the participant's applicable age for beginning RMDs,
- For participants who die after beginning RMDs, the election will allow the surviving spouse to receive continuing RMDs based on the uniform lifetime table .
- If the surviving spouse dies before RMDs have begun to the surviving spouse, his or her subsequent spouse, if any, may similarly make these elections

Effective: Dates of death after December 31, 2023

Impact/actions: Surviving spouse must elect to be treated as participant.



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§ 125: IMPROVING COVERAGE FOR PART-TIME WORKERS

- Long-term part-time employees are eligible to make deferrals after completing two eligibility computation periods with at least 500 hours each (reduced from three such periods), and attaining age 21
- The long-term part-time eligibility rule will also apply to ERISA-covered 403(b) plans
- No change to entry rules for employees meeting the requirements originally established under the SECURE Act of 2019

Effective: Periods of service beginning on or after January 1, 2023

Impact/actions: Applies to plans where eligibility is based on hours of service

§ 311: 3-YEAR WINDOW TO REPAY QUALIFIED BIRTH OR ADOPTION DISTRIBUTIONS (QBADS)

SECURE 2.0 establishes a three-year window during which QBADs may be repaid to the plan. For QBADs taken after the enactment date of SECURE 2.0 (December 29, 2022), the three-year repayment window begins on the day after the date on which such distribution was received. The latest date for repaying QBADs taken prior to enactment of SECURE 2.0 is December 31, 2025.

Effective: QBADs issued before and after December 29, 2022 (the SECURE 2.0 enactment date)

Impact/actions: Plans that provide QBADs must limit the QBAD repayment window to no more than three years (note that QBADs are an optional plan provision but, for plans offering QBADs, the repayment window is mandatory).

§ 304: UPDATING DOLLAR LIMIT FOR MANDATORY DISTRIBUTIONS

Small balance cash-out limit increased to \$7,000.

This provision amends IRC sections 401(a)(31)(B)(ii) and 411(a)(11)(A), and ERISA section 203(e)(1)

Effective: Distributions made after December 31, 2023

Impact/actions: Transamerica will increase all defined contribution plans at the current statutory maximum to the new statutory maximum as soon as feasible after 1/1/2024 (unless plan sponsors opts out of the increase)

§ 338: PAPER BENEFIT STATEMENTS REQUIRED IN CERTAIN CASES

For defined contribution plans, employers using the 2020 DOL electronic delivery safe harbor must provide at least one quarterly benefit statement in the form of paper each year. For defined benefit plans, employers must provide one annual statement in the form of paper at least once every three years.

Effective: Plan years after December 31, 2025

Impact/actions: Mandatory for plans using the 2020 DOL safe harbor for electronic delivery

§ 335: CORRECTIONS OF MORTALITY TABLES

For purposes of the minimum funding rules, a pension plan is not required to assume beyond the plan's valuation date future mortality improvements at any age greater than 0.78% (i.e., the weighted average previously used by the SSA).

Effective: Regulatory changes needed; deemed effective as of December 29, 2022

Impact/actions: Mandatory

§ 348: CASH BALANCE PLANS

Clarifies that, for all applicable purposes, the interest crediting rate that is treated as in effect and as the projected interest crediting rate is a reasonable projection of such variable interest rate, subject to a maximum of 6%.

Effective: Plan years after December 29, 2022

Impact/actions: Mandatory for cash balance plans

§ 343: DEFINED BENEFIT ANNUAL FUNDING NOTICES

Simplifies the information required to be included in a defined benefit plan's annual funding notice. Plans will be required to present the plan's funded status based on end of the year spot asset values and interest rates, but must continue to show (for the current and prior two years) the plan's beginning-of-year funded status, funding shortfall, and minimum required contribution (using both smoothed and unsmoothed interest rates and the actuarial value of the assets as applicable). Adds new PBGC-related disclosure language.

Effective: Plan years after December 31, 2023

Impact/actions: Mandatory

EFFECTIVE AFTER 2024

§ 603: ELECTIVE DEFERRALS GENERALLY LIMITED TO REGULAR CONTRIBUTION LIMIT

For 401(k), 403(b), and governmental 457(b) plans that permit catch-up contributions, catch-up contributions must be designated as Roth for employees whose prior-year FICA wages from the employer sponsoring the plan exceeded \$145,000 (as indexed for inflation).

Effective: Calendar years after December 31, 2025 (pursuant to a two-year administrative implementation delay granted by the IRS)

Impact/actions: 401(k), 403(b), and governmental 457(b) plans must apply this provision if they allow catch-up contributions and have employees whose prior year FICA wages exceed the specified income threshold

§ 101: EXPANDING AUTOMATIC ENROLLMENT

Unless an exception is met, 401(k) and 403(b) plans must include an eligible automatic contribution arrangement no later than January 1, 2025 (i.e., automatically enroll eligible employees at a rate between 3% and 10% of compensation; automatic deferral increases of at least 1% per year up to a maximum of between 10% and 15%; participants may opt out). This requirement does not apply to plans established prior to December 29, 2022; plans sponsored by employers that have been in existence less than three years (including predecessor employers); plans sponsored by employers that regularly employ 10 or fewer employees; and 403(b) plans sponsored by churches or governmental entities.

Effective: Plan years starting after December 31, 2024

Impact/actions: New 401(k) and 403(b) plans must add an EACA, unless plan meets an exception

