



SECURE 2.0

ACT OF 2022

GUIDE TO PROVISIONS OF THE SECURE 2.0 ACT

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MANDATORY PROVISIONS EFFECTIVE BEFORE 2024

<i>Provision</i>	<i>Effective date</i>
§ 107: INCREASE IN AGE FOR RMD REQUIRED BEGINNING DATE	2023
<p>The required beginning date is the age terminated participants (and certain owner-employees) must begin taking annual required minimum distributions (RMDs) from their retirement plans. The required beginning date was age 70½ until the SECURE Act of 2019 increased the age to 72. Section 107 of SECURE 2.0 increases the age to 73 for participants who had not turned age 72 by the end of 2022 and will increase it to 75 for participants who will not have turned 74 by the end of 2032. There is no change for participants who turned 72 in 2022 or earlier. They must continue taking their annual RMDs. Note: Participants who are 5% owners must begin taking RMDs when they reach their required beginning date, even if they are still actively employed.</p>	
§ 302: REDUCTION IN EXCISE TAX ON CERTAIN ACCUMULATIONS IN RETIREMENT PLANS	2023
<p>Section 302 reduces the penalty for failure to take RMDs on time. In general, RMDs must be paid by December 31 of the year for which the RMD is due. A first-time RMD must be paid by April 1 of the year following the year for which it is due. If the RMD is not paid by its due date, a penalty of 50% of the late or missed RMD is assessed. This provision reduces the penalty to 25% in most cases and to 10% if the missed RMD is paid during the "correction period" (generally two years from the date it was due) and the taxpayer has submitted a tax return reflecting the penalty.</p>	
§ 311: 3-YEAR WINDOW TO REPAY QUALIFIED BIRTH OR ADOPTION DISTRIBUTIONS (QBADS)	<i>As of enactment date</i>
<p>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. Note: QBADs are an optional plan provision but, for plans offering QBADs, the repayment window is mandatory.</p>	
§ 335: CORRECTIONS OF MORTALITY TABLES	<i>As of enactment date</i>
<p>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).</p>	
§ 337: MODIFICATION OF RMD RULES FOR SPECIAL NEEDS TRUST	2023
<p>The SECURE Act of 2019 changed the distribution timing requirements for beneficiaries, so that "designated" beneficiaries are required to receive the full account balance by the end of the tenth year following the year of death, and "eligible" designated beneficiaries are permitted to, alternatively, elect life expectancy distributions (the "stretch" rule). When a trust is the beneficiary, whether the stretch rule can be applied will depend on whether the trust's beneficiaries are eligible designated beneficiaries. Section 337 provides that special needs trusts may qualify for the stretch rule if certain requirements are met. Section 337 clarifies that when a special needs trust (called an applicable multi-beneficiary trust, or AMBT) has been established for one or more chronically ill or disabled beneficiaries, a charitable organization may be named as the remainder beneficiary of the AMBT and the chronically ill or disabled beneficiaries will still qualify for the life expectancy "stretch" allowed under the SECURE Act.</p>	
§ 348: CASH BALANCE PLANS	2023
<p>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%. Note: Section 348 is mandatory for cash balance plans.</p>	

MANDATORY PROVISIONS EFFECTIVE 2024

<i>Provision</i>	<i>Effective date</i>
§ 304: INCREASE IN THE STATUTORY MAXIMUM THRESHOLD FOR SMALL BALANCE CASH-OUTS	2024

Prior to the effective date for Section 304, plans could force a distribution to a terminated participant whose balance did not exceed \$5,000. Section 304 increases the limit from \$5,000 to \$7,000, effective for distributions made after December 31, 2023. Plan sponsors may amend their plans to increase the threshold for cashing out small balances to \$7,000, effective for distributions on or after January 1, 2024. Balances under \$7,000 can be transferred to an individual retirement account on behalf of the participant.

§ 325: ROTH PLAN DISTRIBUTION RULES	2024
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RMD rules for distributions to participants prior to death will not apply to Roth balances in 401(k) plans beginning with the 2024 distribution calendar year. For RMDs due for 2024 and later, the RMD will be calculated based on a participant's non-Roth balances only. For example, if a participant's total account balance is \$100,000 and the Roth portion of that account balance is \$20,000, the participant's RMD will be calculated on the \$80,000 that is not Roth. Roth balances will continue to be included when calculating the RMD that must be paid to a beneficiary after a participant's death. Note: Applies to RMDs due for taxable years after 2023 (excluding first-year RMDs due for 2023, which may be deferred until April 1, 2024).

§ 327: SURVIVING SPOUSE ELECTION TO BE TREATED AS EMPLOYEE	2024
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Before 2024, if a surviving spouse was the participant's only beneficiary, the surviving spouse could be treated as if he or she were the participant for the purpose of applying the RMD rules, as long as the retirement plan document allowed it. Beginning in 2024, a surviving spouse must affirmatively elect this treatment if he or she wants to be treated as the participant for RMD purposes. Plan sponsors should update their administrative procedures related to death claims to ensure surviving spouses are given the opportunity to elect to be treated as the participant and that the materials they are provided clearly communicate the advantages of making the election. Note: Section 327 applies to dates of death after December 31, 2023.

§ 343: DEFINED BENEFIT ANNUAL FUNDING NOTICES	2024
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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-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 Public Benefit Guaranty Corporation (PBGC)-related disclosure language.

MANDATORY PROVISIONS EFFECTIVE AFTER 2024

<i>Provision</i>	<i>Effective date</i>
§ 101: EXPANDING AUTOMATIC ENROLLMENT	2025
<p>Unless an exception is met, 401(k) and 403(b) plans must include an eligible automatic contribution arrangement (EACA) 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.</p>	
§ 109: HIGHER CATCH-UP LIMIT AT AGES 60, 61, 62, AND 63	2025
<p>Starting January 1, 2025, participants who will turn 60–63 during the year may make larger catch-up contributions. The higher catch-up limit will be the greater of \$10,000 or 150% of the catch-up limit in effect for 2024 (indexed for inflation).</p>	
§ 125: IMPROVING COVERAGE FOR PART-TIME WORKERS	2025
<p>Part-time employees who work at least 500 hours in each of two consecutive eligibility computation periods (reduced from three under the SECURE Act) will be eligible to make deferrals into their employer's 401(k) plan. Applicability of this provision is extended to 403(b) plans. This change becomes effective for measuring periods beginning in 2023 for 403(b) plans and for entry dates on or after January 1, 2025, for 401(k) plans. Employers may exclude long-term, part-time employees from nondiscrimination testing, coverage testing, and the top-heavy contribution requirement.</p>	
§ 338: PAPER BENEFIT STATEMENTS REQUIRED IN CERTAIN CASES	2026
<p>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.</p>	
§ 603: ELECTIVE DEFERRALS GENERALLY LIMITED TO REGULAR CONTRIBUTION LIMIT	2026
<p>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 for calendar years after December 31, 2025, pursuant to a two-year administrative implementation delay granted by the IRS.</p>	
§ 103: SAVER'S MATCH	2027
<p>Existing low-wage earners saver's credit will be replaced with a saver's match beginning in 2027. The saver's match is equal to 50% of the taxpayer's contributions, up to \$2,000, and must be deposited into an IRA or retirement plan; amounts under \$100 will continue to be treated as a tax credit. The full match applies to those earning less than \$41,000 and is phased out between \$41,000 and \$71,000 (as indexed for inflation). The match is treated as an elective deferral but does not count against contribution limits or for nondiscrimination testing.</p>	

DISCRETIONARY PROVISIONS EFFECTIVE BEFORE 2024

<i>Provision</i>	<i>Transamerica support date</i>
§ 105: MODIFICATION TO POOLED EMPLOYER PLANS	<i>Currently supported</i>
Pooled employer plans (PEPs) may now designate any named fiduciary (other than an employer in the PEP) to be responsible for collecting contributions and implementing written contribution collection procedures that are reasonable, diligent, and systematic. This provision removes the requirement that the fiduciary for this purpose be the PEP's trustee.	
§ 106: MULTIPLE EMPLOYER 403(b) PLANS	<i>Currently supported</i>
Section 403(b) is amended to permit multiple employer plans (MEPs), including pooled employer plans (PEPs), except for church plans; the "one-bad-apple" rule relief is extended to 403(b), MEPs, and PEPs.	
§ 204: ELIMINATING A PENALTY ON PARTIAL ANNUITIZATION	<i>N/A</i>
If a portion of a participant's account balance has been annuitized and the annuity payments for a year exceed the amount that would have been due as an RMD from the annuitized balance for that year, the excess amount can be credited against the RMD that would otherwise be due from the nonannuitized portion of the participant's account balance.	
§ 312: SELF-CERTIFICATION FOR CERTAIN HARDSHIP WITHDRAWALS	<i>Currently available for certain markets</i>
Employers who sponsor 401(k) or 403(b) plans may amend their administrative procedures to accept a participant's self-certification that the reason for the hardship withdrawal is one of the seven permitted safe harbor hardship reasons and that the requested amount does not exceed the amount required to satisfy the need. Sponsors of 457(b) plans may similarly amend their administrative procedures with respect to unforeseeable emergencies.	
§ 320: ELIMINATING REQUIREMENT TO SEND PLAN NOTICES TO UNENROLLED PARTICIPANTS	<i>Plan years beginning on or after January 1, 2025, for most markets</i>
Sponsors of individual account plans (401(k) plans, for example) are no longer required to distribute disclosures, notices, and other plan documents otherwise required under ERISA and the Internal Revenue Code to "unenrolled" participants if certain conditions are met. Unenrolled participants must have been provided with all notices and disclosures initially required following their eligibility. Participants must also receive an annual reminder of eligibility and any documents specifically requested by the unenrolled participant that the plan would otherwise be required to provide.	
§ 331: SPECIAL RULES FOR USE OF RETIREMENT FUNDS IN CONNECTION WITH QUALIFIED FEDERALLY DECLARED DISASTERS	<i>Currently supported</i>
Section 331 provides permanent rules relating to the use of retirement funds in the case of a federally declared disaster. The provision allows up to \$22,000 to be distributed from employer retirement plans or IRAs for individuals who have suffered an economic loss as a result of a federally declared disaster. Qualified disaster recovery distributions (QDRDs) are not subject to the 10% additional early withdrawal penalty that normally applies to distributions taken from retirement plans and IRAs prior to age 59½. In addition, QDRDs may be taken into account as gross income over three years. Participants may repay QDRDs to a retirement plan or IRA within three years from the date of distribution. Amounts distributed from a retirement plan or IRA prior to the disaster to purchase a principal residence in the disaster area can also be recontributed to the plan or IRA if the purchase did not occur as a result of the disaster.	
§ 604: OPTIONAL TREATMENT OF MATCHING OR NONELECTIVE CONTRIBUTIONS AS ROTH	<i>To be determined</i>
401(a), 403(b), and governmental 457(b) plans may permit an employee to designate fully vested matching contributions or nonelective contributions as Roth contributions.	

DISCRETIONARY PROVISIONS EFFECTIVE 2024

<i>Provision</i>	<i>Transamerica support date</i>
§ 110: EMPLOYER MATCH ON STUDENT LOAN PAYMENTS	<i>Will be able to support for 2024 plan year</i>

Section 110 allows employers to treat qualified student loan payments as elective deferrals for purposes of matching contributions in 401(k), 403(b), SIMPLE IRA, or 457(b) plans. Plans may perform a separate nondiscrimination test for these contributions. Employers adding this provision must give employees at least three months after the close of the plan year to self-certify the amount of their qualified student loan payments for the current plan year.

§ 115: WITHDRAWALS FOR CERTAIN EMERGENCY EXPENSES	<i>Currently supported</i>
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Generally, a 10% early withdrawal penalty applies to distributions taken from tax-preferred retirement accounts, such as 401(k) plans and IRAs, prior to age 59½, unless an exception applies. Section 115 provides an exception for certain distributions used for emergency personal expenses, defined as unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses. Only one distribution of up to \$1,000 is permissible per year. The participant may repay the amount withdrawn within three years from the date of distribution. If the participant does not repay or re contribute (through deferrals) the amount withdrawn, no further emergency personal expense withdrawals are permissible during the three calendar years following the year of distribution.

§ 120: EXEMPTION FOR CERTAIN AUTOMATIC PORTABILITY TRANSACTIONS	<i>To be determined</i>
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Allows plans to use an automatic portability service provider to automatically transfer amounts held in a participant's default IRA into their new employer's plan, unless the participant elects otherwise. Creates a statutory exemption under the Internal Revenue Code providing relief for receipt of fees and compensation by an automatic portability service provider in connection with an automatic portability transaction; fiduciaries of recipient plan must review and approve transaction fees. Note: Recipient plan fiduciary to review and approve any transaction fees charged by service provider.

§ 127: EMERGENCY SAVINGS ACCOUNTS LINKED TO INDIVIDUAL ACCOUNT PLANS	<i>To be determined</i>
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Plan sponsors may permit non-highly compensated employees to make Roth contributions to a "pension linked emergency savings account" (PLESA). Total PLESA contributions are limited to \$2,500, or a lower amount as set by employer; no minimum contribution or account balance requirements may be set. Monthly withdrawals must be permitted, and the first four withdrawals each year must be free of fees or charges due to the withdrawals; withdrawals come out as qualified Roth distributions regardless of time held or participant age. Once contributions to the PLESA reach the maximum limit, contributions may be directed to employee's defined contribution Roth account or stopped, per the participant's election. Plans may automatically enroll participants in the PLESA at a rate not to exceed 3% or may allow for affirmative election into the PLESA. PLESA contributions must be taken into account with respect to the plan's match. The PLESA source must be held in cash, an interest-bearing account, or an investment product designed to maintain the dollar value equal to the amount invested in the product over the term of the investment.

§ 310: TOP-HEAVY RULES APPLIED TO EXCLUDABLE EMPLOYEES IN DEFINED CONTRIBUTION PLANS	<i>To be determined</i>
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Employees with less than one year of service and/or under age 21 may be excluded from consideration in determining whether any plan of the employer satisfies the top-heavy minimum contribution requirement. This relief applies to defined contribution plans only.

DISCRETIONARY PROVISIONS EFFECTIVE 2024

Provision

Transamerica support date

§ 314: WITHDRAWALS FROM RETIREMENT PLANS FOR VICTIMS OF DOMESTIC ABUSE

Currently supported

Plans that are not subject to spousal consent may be amended to add an in-service distribution for victims of domestic abuse. The amount is limited to the lesser of \$10,000 or 50% of the participant's nonforfeitable accrued benefit. Participants may self-certify that their request satisfies the requirements of this provision. The withdrawal may be repaid within three years, is not subject to the 10% penalty generally assessed on withdrawals prior to age 59½, is not subject to mandatory withholding, and is not eligible for rollover.

§ 602: HARDSHIP WITHDRAWAL RULES FOR 403(b) PLANS

Q3 2024

Consistent with 401(k) plan rules, 403(b) plans may allow participants access to qualified matching contributions (QMACs) and qualified non-elective contributions (QNECs) for hardship withdrawals, as well as to the earnings on salary reduction contributions, QMACs, and QNECs. Plans are no longer required to mandate that participants take all available loans before taking a hardship withdrawal.

Information regarding retirement plans is general and is not intended as legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace savings plans. This material is for informational purposes and should not be construed as legal or tax advice. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.

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