A Guide to SECURE 2.0

Key provisions that could impact your company's retirement plan

Setting every community up for retirement enhancement—again

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was one of the most important pieces of retirement enhancement legislation in recent history when it was signed into law in 2019—serving as a springboard for changes in the way people save for retirement. In late 2022, the SECURE 2.0 Act was signed into law, marking another significant expansion in the retirement savings landscape.

But, with more than 90 provisions to consider—not all of which are required to be implemented—the SECURE 2.0 legislation has many wondering, "What does this mean for my business?"

This guide addresses some of the SECURE 2.0 Act's key provisions that could impact how you operate your company's retirement plan.*

SECURE 2.0 Act key provisions

Provision	Optional/ Mandatory Effective Date	Description
New option to treat employer contributions as designated Roth contributions.	**Optional** Effective for contributions made after December 29, 2022.	Participants may choose, plan permitting, to treat employer matching and nonelective contributions to qualified 401(a) defined contribution plans, 403(b) plans, and governmental 457(b) plans as designated Roth contributions. This option is also available for matching contributions made on qualified student loan payments. Employer contributions treated as designated Roth contributions must be 100 percent vested to be treated as designated Roth contributions and are not excludable from gross income.
Another delay for required minimum distributions (RMDs).	**Mandatory** This provision is effective for distributions required in 2023 and later years, for those who reach age 72 after December 31, 2022.	SECURE 2.0 further increases the RMD age from 72 to 73 in 2023, and then to age 75 in 2033 (or the year of retirement, if later, for certain employer plan participants who are not 5 percent owners). Individuals born in 1950 or earlier are unaffected by this change and must continue to take any RMDs due for 2022 and later years.
Increased cash-out limit for terminated participants.	**Mandatory** Effective for distributions made after December 31, 2023.	When a participant separates from service, the employer may choose to distribute (i.e., cash out) the participant's vested account balance without consent if the balance is under a certain dollar limit. Currently, employers must directly roll over to an IRA account balances that exceed $1,000—but that do not exceed $5,000, unless directed otherwise by the participant or beneficiary. SECURE 2.0 increases this limit from $5,000 to $7,000.

Provision	Optional/ Mandatory Effective Date	Description
New employer matching contributions on student loan payments.	**Optional** Effective for 2024 and later plan years.	Employers offering 401(k), 403(b), SIMPLE IRA, and governmental 457(b) plans may provide a matching contribution based on a participant's "qualified student loan payments." To be considered a qualified student loan payment, the payment must be made by a participant to repay a qualified education loan that was incurred by the participant to pay qualified higher education expenses. In addition, the total amount of the participant's qualified student loan payments cannot exceed the participant's compensation or the deferral limit under Internal Revenue Code Section (IRC Sec.) 402(g), whichever is less. The combined total of the participant's qualified student loan payments and elective deferrals cannot exceed the IRC Sec. 402(g) limit. For an employer contribution to be treated as a matching contribution on a qualified student loan payment, the same eligibility and vesting requirements must apply to the matching contributions made on both the elective deferrals and the qualified student loan payments. Matching contributions on student loan payments must also be made at the same rate as matching contributions on elective deferrals. For ADP testing purposes, employers may test participants who receive matching contributions on qualified student loan payments separately from other participants.
New emergency savings accounts linked to defined contribution plans.	**Optional** Effective for 2024 and later plan years.	Employers may offer a pension-linked emergency savings account (PLESA) to non-highly compensated employees as part of their 401(k), 403(b), or governmental 457(b) plan. Participants may contribute up to $2,500 or less if dictated by the plan. If the PLESA's account balance exceeds this amount, the employer may deposit future contributions into the participant's designated Roth account, or the participant may stop contributing until the account balance falls below the limit. These contributions are designated Roth contributions. If the employer makes matching contributions to the plan, the employee's contributions to the PLESA must be matched at the same rate as other deferrals—but must not be placed in the PLESA. Employers may allow employees to opt in or may automatically enroll employees, but the automatic deferral rate cannot exceed 3 percent of compensation. Employers must also allow participants to take PLESA distributions at least once a month and may not apply fees or charges solely on the basis of the withdrawal for the first four distributions taken during a plan year.
Expanded automatic enrollment in retirement plans.	**Mandatory** Effective for 2025 and later plan years.	Employers with more than 10 employees and who have been in business for three or more years must implement an automatic enrollment provision for a 401(k) or 403(b) plan established on or after December 29, 2022. The initial deferral percentage: ▪ must be at least 3 percent, but cannot exceed 10 percent. ▪ must automatically increase yearly by one percent until reaching at least 10 percent (but not exceeding 15 percent). Non-safe harbor plans can't exceed a 10 percent deferral rate for plan years ending before January 1, 2025. Automatically enrolled participants may affirmatively elect to defer a higher or lower percentage or may choose not to defer. This provision does not apply to church or governmental plans.

Provision	Optional/ Mandatory Effective Date	Description
Accelerated part-time employee participation.	**Mandatory** Effective for 2025 and later plan years.	For 2021 and later plan years, SECURE 1.0 allowed employees with **three** consecutive 12-month periods, at least 500 hours of service, and who are age 21 or older to make elective deferrals in their employer's 401(k) plan. Now, SECURE 2.0 allows otherwise eligible employees to enter their employer's 401(k) or ERISA-covered 403(b) plan after **two** consecutive 12-month periods in which they work 500 hours or more. The three-year requirement under SECURE 1.0 applies until the two-year requirement under SECURE 2.0 takes effect in 2025.
Larger catch-up contributions.	**Optional** Effective for 2025 and later taxable years.	Participants who reach age 60, 61, 62, and 63 during a given taxable year may make additional catch-up salary deferral contributions to 401(k), 403(b), governmental 457(b), SAR-SEP, SIMPLE IRA, and SIMPLE 401(k) plans. For plans other than SIMPLE plans, eligible participants may contribute up to the greater of $10,000 or 150 percent of the regular catch-up amount for 2024 (indexed). For SIMPLE plans, the maximum catch-up contribution amount is increased to the greater of $5,000 or 150 percent of the regular catch-up amount for 2025 (indexed).
New paper plan benefit statement requirement.	**Mandatory** Effective for 2026 and later plans.	Employers must provide paper retirement plan benefit statements once annually for defined contribution plans and once every three years for defined benefit plans. A paper statement is generally not required if the "wired at work" or consent methods under the existing Department of Labor (DOL) electronic delivery safe harbor are met. To deliver statements electronically, employers must first provide a one-time paper notice both to participants who first become eligible to participate and to beneficiaries who first become eligible to receive benefits after December 31, 2025. The DOL is also required to make changes to its existing electronic delivery regulations by the end of 2024. The regulations must comply with these new requirements and must contain additional changes that apply to electronic delivery of notices and disclosures.

If you have questions, we have answers.

We are committed to working with you to help implement the provisions of SECURE 2.0. If you need additional information or have any questions, we are here to help. Please contact your designated client service team or your retirement plan advisor to learn more.

* This guide speaks only to certain SECURE 2.0 provisions and is not an exhaustive list.