SECURE 2.0 ACT

REFERENCE GUIDE

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INTRODUCTION

The SECURE 2.0 Act was passed by Congress on December 23, 2022, as part of the Consolidated Appropriations Act of 2023. This retirement plan legislation builds upon the Setting Every Community Up for Retirement Act of 2019 (SECURE Act of 2019) and was signed into law by President Joe Biden on December 29, 2022.

SECURE 2.0 is designed to help create more robust workplace retirement plans by expanding access and participation as well incentivizing higher savings. Part-time workers, small business employees and student loan borrowers are just some of the workers that will benefit under the new law. Many of the Act's provisions are designed to encourage savings by expanding employee access to retirement accounts in the event of emergency.

The following chart summarizes the key workplace retirement plan provisions. The chart contains a column showing the effective date of each provision, many of which are effective for 2023. **Plan amendments needed as a result of this legislation are to be adopted by December 31, 2025.**

Sentinel will be providing more information pertaining to the Act throughout 2023. If you have questions or would like to learn more, please reach out to your Sentinel Group representative.

Several of the SECURE 2.0 Act's provisions will require additional Internal Revenue Service or Department of Labor guidance on how to administer the changes. Sentinel's immediate priority is the mobilization of the mandatory provisions. In some cases, the best practice may be to delay optional provisions until further guidance is published.

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Provisions Applicable to Defined Contribution and Defined Benefit Plans

	SECURE 2.0	Effective Date	Required or Optional
Required Minimum Distributions (RMD)	**Sec. 107** Increased age for required minimum distributions from age 72 to 73 for 2023 and age 73 to 75 in 2033. ♦ *Note*: If a participant reached age 72 during 2022, 1st RMD due by April of 2023.	Age 73 starting on January 1, 2023 Age 75 starting on January 1, 2033	Required
	Sec. 201 Removes RMD barriers for life annuities ♦ Allows guarantees typically desired by participants to be included in annuity contracts.	2023. Calendar years ending after the date of enactment of this Act	Required
	Sec. 204 Eliminating RMD Penalty on Partial Annuitization. Current law requires separate RMD for the annuity and the rest of the account. Permits account owner to elect to aggregate distributions from both portions of the account for purposes of determining RMDs.	2023	Required
	Sec. 302 Lower penalties for failing to take an RMD. Reduces the current 50% penalty for those who fail to take a RMD to 25% or 10% if before audit or, if earlier before the 2nd year after the year in which the excise tax is imposed.	2023 Tax year	Required
	Sec. 325 RMD Treatment of In-Plan Roth Amounts to make the the Roth rule for workplace plans the same as IRAs. Eliminates the pre-death RMD distribution requirement for Roth accounts in employer plans.	Effective for tax years beginning after December 31, 2023 Does not delay 2023 RMDs that are due by 4/1/2024	Required
	Sec. 327 Spousal Beneficiaries Treated as Plan Participants for RMD Purposes. Permits spousal beneficiaries of deceased retirement plan participants to elect to have the RMD rules applied to the employee or owner as if the surviving spouse were the deceased.	Calendar years beginning after December 31, 2023	Required

	SECURE 2.0	Effective Date	Required or Optional
Retirement “lost and found”	**Sec. 303** Establishes a new federal online “lost and found” database through the Department of Labor (DOL) for retirement accounts. Enables retirement savers, who might have lost track of their pension or 401(k) plan, to search for the contact information of their plan administrator.	Creation of the database no later than two years after the date of enactment of this Act (by the end of 2024)	Required of the DOL; No Plan Sponsor action required at this time
EPCRS: Recovery of overpayments	**Sec. 301** Allows Plan Sponsors to decide not to recover overpayments if retirees were mistakenly overpaid in their retirement plan(s). If the Plan Sponsor chooses to recover overpayments, restrictions apply; including a new Statute of Limitations of 3 years, limits on recovery amounts, and the trust must be made whole unless it is fully funded.	2023	Required
Small balance cash out limit	**Sec. 304** Increases the mandatory cash out limit from $5,000 to $7,000 (still not indexed).	Effective for distributions made after December 31, 2023	Optional (Plan Sponsor may maintain lower limits)
DOL eDelivery regulation rollback	**Sec. 338** Unless a participant opts out, DC plans are required to provide at least one quarterly paper benefit statement at least once annually. The other 3 quarterly statements are not subject to this rule and may be provided electronically. Unless a participant opts out, defined benefit plans must provide a paper statement once every three years.	DOL to update the relevant sections of their regulations and corresponding guidance by December 31, 2024 and the annual paper statement is effective for plan years beginning after December 31, 2025 (the 2026 plan year)	Required
Self-correcting plan violations	**Sec. 305** Expands EPCRS to allow self-correction of inadvertent significant plan errors without deadline (as long as before examination and within a reasonable period after discovery).	2023 EPCRS will be updated within two years of enactment of this Act	IRS Required to update EPCRS. Optional to choose EPCRS to correct

	SECURE 2.0	Effective Date	Required or Optional
Retroactive amendments to increase benefits	**Sec. 316** Allows discretionary amendments that increase participants' benefits to be adopted by the due date of the employer's tax return (currently amendments may be made no later than the last day of the plan year).	Plan years beginning after December 31, 2023	Optional
Simplify 402(f) Special Tax Notice	**Sec. 336** Section 402(f) notices are given by employer retirement plans in the case of a distribution to a participant that is eligible for rollover to another tax preferred retirement account. The notice describes distribution options and tax consequences. Government Accountability Office to issue a report to Congress on effectiveness of section 402(f) notices.	Government Accountability Office to issue a report to Congress on the effectiveness of section 402(f) notices within 18 months after the date of enactment of this Act	Required to issue report. No action required of Plan Sponsor at this time
Treasury guidance on rollovers	**Sec. 324** Requires Treasury to simplify and standardize the rollover process by issuing sample forms for direct rollovers (incoming and outgoing) for retirement plans and IRAs.	Development and release of the sample forms must be completed no later than January 1, 2025	Required to update forms. No action required of Plan Sponsor at this time
Tribal court QDROs	**Sec. 339** Recognizes the sovereignty of tribal courts by allowing them to issue a QDRO.	2023. Includes prior orders submitted for reconsideration in 2023	Required
Technical corrections & plan amendments	**Sec. 401** Amendments relating to Setting Every Community Up for Retirement Enhancement Act of 2019. Includes three technical and five clerical amendments to the SECURE Act.	Effective as if included in the section of the SECURE Act to which the amendment relates	Required

Provisions Applicable Only to Defined Contribution Plans

	SECURE 2.0	Effective Date	Required or Optional
Enhanced small business startup credit	**Sec. 102** Increases the small business startup credit for employers with up to 50 employees from 50% to 100% and creates a new credit for plans other than defined benefit plans that is based on the amount of money contributed to participant accounts. Under current law, employers with less than 100 employees that adopt a new retirement plan may qualify for an annual tax credit for up to three years equal to the lesser of (1) 50% of the administrative cost of establishing the plan, or (2) $5,000.	2023. Applies to taxable years beginning after Dec. 31, 2022.	Optional
Matching student loan payments	**Sec. 110** Allows Plan Sponsors the option to treat student loan payments as elective deferrals for the purposes of matching contributions. Applicable to 401(k)/403(b)/SIMPLE IRA and Governmental plans. Plan may perform nondiscrimination testing separately for the employees who receive matching contributions on student loan repayments.	Beginning after 12/31/2023	Optional
Auto-enrollment requirement	**Sec. 121** Establishes a new auto-enrollment requirement of at least 3%, but not more than 10%. Auto escalation of 1% until 10%, but not more than 15% beginning each year after initial auto-enrollment year. • *Applies to new 401(k) and 403(b) plans. All existing retirement plans, plans with 10 employees or less, new businesses (i.e. those that have been in business for less than three years), church plans, and governmental plans are exempt from the requirement.*	2023. Applies to new plans established after the date of the Act, but the Auto-enroll requirement does not need to be implemented until plan years beginning after 12/31/2024	Required for new plans (small plan exception)

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	SECURE 2.0	Effective Date	Required or Optional
Increases “catch-up” contributions	**Sec. 109** Increases the catch-up contribution limit to greater of $10,000 or 50% more than the regular catch-up amount (as indexed) in 2025 for participants aged 60, 61, 62 and 63. Increased amounts are indexed for inflation after 2025.	Taxable years beginning after December 31, 2024	Optional
Catch-up contributions must be Roth	**Sec. 603** The special catch-up contributions permitted due to attaining age 50 must be made on a Roth basis under 401(k), 403(b) and governmental 457(b) plans. ♦ Exception applies for employees with compensation of $145,000 or less in the prior year (indexed starting in 2025).	Taxable years beginning after December 31, 2023 There is a technical glitch in the law that potentially impacts the new catch-up rule. We anticipate a correction prior to the 2024 tax year.	Required (if plan allows for catch-up contributions)
Matching and/ or non-elective contributions may be Roth	**Sec. 604** Employers may permit employees to elect all or some of their matching and/or non-elective contributions to be treated as Roth contributions under a 401(k), 403(b), or governmental 457(b) plan.	2023. Effective on the date of enactment of this Act IRS guidance is required and significant operational changes are required prior to implementation	Optional
Long term, part-time worker eligibility	**Sec. 125** Expands plan eligibility for long-term part-time workers. Plan must have dual eligibility requirement under which employee must complete either 1 year of service (1,000 hour rule) or 2- consecutive year rule of 500 hours. ♦ Pre-2021 service is disregarded for vesting purposes, just as service is disregarded for eligibility purposes. ♦ Applicable to 401(k) plans and 403(b) plans that are subject to ERISA. ♦ Does not apply to collectively bargained plans.	Plan years beginning after December 31, 2024 Note: For 401(k) plans, the SECURE Act three year rule will be effective for one year in 2024 before the SECURE 2.0 two year rule supersedes it effective 1/1/2025 403(b) plans will apply the two year rule starting in 2023	Required

	SECURE 2.0	Effective Date	Required or Optional
Emergency savings accounts	**Sec. 127** Option to offer emergency savings accounts to NHCEs linked to DC Plan. • After-tax (Roth) contributions that are match eligible • Must be invested in a principal preservation investment. • Contributions cease once account reaches $2,500 (employer may set a lower amount). • Auto-enrollment allowed up to 3% of pay. Amounts may be withdrawn at any time without penalty.	Effective for distributions made after December 31, 2023	Optional
Automatic portability of distributions	**Sec. 120** Permits a retirement plan service provider to provide employer plans with automatic portability services. Such services involve the automatic transfer of a participant's default IRA (established in connection with a distribution from a former employer's plan) into the participant's new employer's retirement plan, unless the participant affirmatively elects otherwise.	12 months after the date of enactment of this Act (2024)	Optional
Early withdrawal tax penalty relief	**Sec. 115** Emergency withdrawal expenses - Exception from the 10% tax for emergency expenses, which are unforeseeable or immediate financial needs due to emergency. Limited to one-per-year, up to $1,000, and taxpayer would have the option to repay within three years, during which no further emergency distributions would be allowed unless repayment occurs. May be self-certified.	Distributions made after December 31, 2023	Optional
	Sec. 326 Exception for terminal illness - Would provide an exception to the 10% tax in the case of a distribution to a terminally ill individual. May not be self-certified (unless Secretary includes in regulations or guidance).	2023. Distributions made after the date of enactment of this Act	N/A

	SECURE 2.0	Effective Date	Required or Optional
Early withdrawal tax penalty relief **(continued from prior page)**	**Sec. 334** Long term care contracts purchase - Would permit retirement plans to distribute up to $2,500 per year for the payment of premiums for certain specified long-term care (LTC) insurance contracts. Distributions would be exempt from the additional 10% tax on early distributions. Only policies that provide high quality coverage would be eligible.	Effective three years after date of enactment of this Act	Optional
	Sec. 323 Substantially Equal Periodic Payment (SEPP) - Current law imposes a 10 percent additional tax on early distributions, but an exception applies to equal periodic payments that are made over the account owner's life expectancy. The exception continues to apply in the case of a rollover of the account, an exchange of an annuity providing the payments, or an annuity that satisfies the required minimum distribution rules.	Effective for transfers, rollovers, exchanges after December 31, 2023, and effective for annuity distributions on or after the date of enactment of this Act	N/A
Domestic abuse withdrawals	**Sec. 314** Allows retirement plans to permit participants that **self-certify** that they experienced domestic abuse to withdraw a small amount of money (the lesser of $10,000, indexed for inflation, or 50 percent of the participant's account), exempt from 10% early withdrawal tax. ♦ May be repaid to plan over three years and will be refunded for income taxes on money that is repaid.	Effective for distributions made after December 31, 2023	Optional

	SECURE 2.0	Effective Date	Required or Optional
Withdrawal relief for natural disasters	**Sec. 331** Provides permanent rules relating to the use of retirement funds of up to $22,000 to be distributed from a retirement plan or IRA for affected individuals in the case of qualified federally declared disasters. ♦ Exempt from 10% additional tax and are considered gross income over three years. ♦ May be repaid to a tax preferred retirement account. ♦ Amounts distributed prior to the disaster to purchase a home may be recontributed. An employer may provide for a larger amount to be borrowed from the plan by affected individuals and allow additional time for repayment of plan loans owed by affected individuals.	2023. Effective for disasters occurring on or after January 26, 2021	Optional
QLAC reforms	**Sec. 202** Makes several reforms to qualifying longevity annuity contracts ("QLACs"). ♦ Repeal 25% limit, allow up to $200,000 (indexed) from account balance to purchase QLAC. ♦ Allows spousal survival rights. Clarifies free-look periods are permitted up to 90 days with respect to contract purchased/received in an exchange on or after 7/2/2014.	2023. Effective for contracts purchased or received in an exchange on the date of enactment of this Act, and the Treasury Secretary must update the relevant regulations within 18 months of the date of enactment of this Act	Required to update the regulations
Allows small immediate financial incentives to enrollment	**Sec. 113** Enables employers to offer de minimis financial incentives not paid with plan assets, such as low dollar gift cards, to boost participation in the plan. Applicable for 401(k)/403(b).	2023. Plan years beginning after the date of enactment of this Act	Optional

	SECURE 2.0	Effective Date	Required or Optional
Top heavy rules	**Sec. 310** Separate testing of excludable employees for top-heavy test will be permitted in order to increase retirement plan coverage for more workers by allowing deferrals earlier.	Plan years beginning after December 31, 2023	Optional
Self-certification of hardship	**Sec. 312** Employees may self-certify that they have had an event that constitutes a deemed hardship for purposes of taking a hardship withdrawal from a 401(k) plan or a 403(b) plan.	2023. Effective for plan years beginning after the date of enactment of this Act	Optional
DC plan fee disclosure rules	**Sec. 340** Requires the agency to review its fiduciary disclosure requirements in participant-directed individual account plan regulations.	Report must be submitted to Congress within three years on such findings, including recommendations for legislative changes	Required for DOL to review
Consolidation of notices	**Sec. 341** Current law requires certain notices to be individually sent.	Directs the Treasury and DOL Secretaries within two years to amend regulations to permit a plan to consolidate certain required plan notices	Required to permit consolidated notices
Eliminating unnecessary plan requirements for “unenrolled participants”	**Sec. 320** Removes requirement to provide certain ERISA/Code notices to participants who have received the SPD and any other notices related to eligibility but who have not elected to participate in the retirement plan. Plan Sponsor must provide annual reminder notice and any otherwise required document requested by the participant.	2023. Plan years beginning after December 31, 2022	Required to permit fewer required notices

	SECURE 2.0	Effective Date	Required or Optional
Repayments of qualified birth or adoption distribution	**Sec. 311** Limits the period to repay (treated as a rollover) to within three years of the date that the distribution was received.	2023. Effective to distributions made after the date of the enactment of this Act and retroactively to the three-year period beginning on the day after the date on which such distribution was received.	Optional
Safe harbor for correcting employee elective deferral failure	**Sec. 350** Allows certain plans with auto-enroll or increase up to 9.5 months after the end of the plan year to make corrections for reasonable errors without missed deferral penalty in administering automatic enrollment and automatic increase provisions.	Effective for errors after December 31, 2023	Optional
Conforming 403(b) hardship rules to 401(k) hardship rules	**Sec. 602** Allows 403(b) plans to make hardship distributions from more contribution sources, such as qualified matching contributions, aligning the rules with the hardship rules for 401(k) plans.	Effective for plan years beginning after December 31, 2023	Optional
Collective Investment Trusts (CITs)	**Sec. 128** Allows 403(b) plans to invest in group trusts with other tax- preferred savings plans and IRAs.	Effective after date of enactment ***Note: Securities laws must be updated before this provision may be applied.***	Optional
457(b) employee deferral updates	**Sec. 306** Eliminates the governmental 457(b) “first day of the month” requirement and allows 457(b) deferral elections to be made any time prior to the compensation being deferred is available.	Taxable years beginning after the date of enactment of this Act	Optional

Provisions Applicable Only to Defined Benefit Plans

	SECURE 2.0	Effective Date	Required or Optional
PBGC Variable Rate Premiums (VRP)	**Sec. 349** Would eliminate the indexing of the VRP and freeze the VRP rate at the current level ($52 per $1,000 of unfunded vested benefits). No change to per-participant VRP cap indexation.	2023. Effective on the date of enactment of this Act	Required
Cash Balance interest credit projections	**Sec. 348** Clarifies application of Code and ERISA rules, such as backloading and section 415 (in the case of the Code only), as they relate to hybrid plans that credit variable interest. ♦ Specifies that the interest crediting rate be a reasonable projection, subject to a maximum of 6 percent.	2023. Effective for plan years beginning after the date of enactment of this Act	Required
Enhancing retiree health benefits	**Sec. 606** Extends Section 420, which permits transfers from a pension plan to pay retiree health and life insurance benefits, provided the pension plan is over 125% funded, through the end of 2032 (currently set to expire at end of 2025). ♦ Adds a de minimis transfer of no more than 1.75% of plan assets if the plan was at least 110% funded.	2023. Effective for transfers made on or after the date of enactment of this Act	Optional
Annual Funding Notice (AFN) changes	**Sec. 348** Aims to identify defined benefit pension plan funding status more clearly on a plan's annual funding notice by requiring year-end spot interest rates and actual asset values (i.e. no smoothing) be used.	Effective for plan years beginning after December 31, 2023	Required

	SECURE 2.0	Effective Date	Required or Optional
Lump Sum Window disclosures	**Sec. 342** Requires pension plan administrators to provide plan participants and retirees with critical information to allow people considering what is best for their financial futures to compare between benefits offered under the plan and the lump sum with explanation of how the lump sum was calculated, the ramifications of accepting a lump sum, such as the loss of certain federal protections, details about the election period, where to follow up with questions, and other information.	DOL Secretary must issue regulations implementing this provision not earlier than one year after enactment. Such regulations must be applicable not earlier than the issuance of a final rule and not later than one year after issuance of a final rule.	Required
Updated mortality tables	**Sec. 335** For purposes of 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%.	Effective for valuation dates in 2024 and later. The Treasury Secretary shall amend the relevant regulation on the matter within 18 months of enactment of this Act	Required
Pension reporting and disclosure review	**Sec. 319** Directs Treasury Department, the Pension Benefit Guarantee Corporation (PBGC) and the DOL to review current reporting and disclosure requirements for pension plans and report back to Congress within three years with recommendations on how to consolidate, simplify, standardize and improve such requirements.	No later than three years after the date of enactment of this Act	Required
Pension Risk Transfer review	**Sec. 321** Directs DOL to review current pension risk transfer interpretive bulletin to determine if amendments are warranted and assess risk to participants. The DOL is to report to Congress within 1 year.	Report to Congress with findings no later than one year after enactment of this Act	Required

Contact your Sentinel representative for more information