



UPDATE

SECURE 2.0 ACT

REFERENCE GUIDE

LAST UPDATED:
10/1/2023



The following chart is a consolidated version of the more comprehensive chart Sentinel communicated earlier this year. The chart summarizes some key workplace retirement plan provisions and provides status updates. The included provisions may require your attention and a decision in the coming months.

Overview of SECURE 2.0

As previously discussed, SECURE 2.0 brings major changes to the retirement landscape, helping create a more robust workplace retirement environment by expanding participant access and incentivizing higher savings. Many of the Act's provisions are designed to encourage savings by expanding employee access to retirement accounts in the event that unanticipated life events require funding.

Plan amendments needed as a result of this legislation are to be adopted by December 31, 2025.

Sentinel will provide more information pertaining to the Act throughout 2023 and into 2024. 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.

Distributions and/or Early Withdrawal Tax Penalty Relief

	SECURE 2.0	Effective Date	Required or Optional	Sentinel Updates
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. <ul style="list-style-type: none"> ♦ <i>Note:</i> 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	COMPLETE Sentinel systems and reports have been updated for this provision.
	Sec. 325 RMD Treatment of In-Plan Roth Amounts to make 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	In Progress Systems will be updated in time for 2024 RMDs. No employer action required.
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. <ul style="list-style-type: none"> ♦ 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.	Effective for disasters occurring on or after January 26, 2021	Optional	COMPLETE If an employee makes a request for funds due to a federally declared disaster, a plan sponsor may request this feature.

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	COMPLETE <i>403(b) plan sponsors may request an expansion of money sources available for hardship.</i>
Early withdrawal tax penalty relief for terminal illness	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. Must be doctor certified (unless the Secretary includes an alternative in regulations or guidance).	Distributions made in 2023 or later.	Required	COMPLETE Sentinel has processes in place to waive the 10% penalty upon request.
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 (lower limits may be maintained)	In Progress Systems will be updated in early 2024. The Sentinel default will be to enhance to \$7,000.
Early withdrawal tax penalty relief for emergencies	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	In Progress Sentinel is reviewing its processes and procedures to accommodate this option in 2024.

Domestic abuse withdrawals	<p>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.</p> <p>May be repaid to plan over three years and will be refunded for income taxes on money that is repaid.</p>	Distributions made after December 31, 2023	Optional	<p><i>In Progress</i></p> <p>Sentinel has a process for plans that request this enhancement beginning in 2024.</p>
Self-certification of hardship	<p>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.</p>	2023. Effective for plan years beginning after the date of enactment of this Act	Optional	<p><i>In Progress</i></p> <p>Sentinel is adopting this process as a standard and is enhancing the distribution portal to accommodate. This feature will be added by negative consent. A plan sponsor may elect not to permit self-certification. Expected implementation November 2023.</p>
Emergency savings accounts	<p>Sec. 127 Option to offer emergency savings accounts to NHCEs linked to DC Plan for unforeseeable needs.</p> <ul style="list-style-type: none"> ◆ After-tax (Roth) contributions that are match eligible ◆ First 4 withdrawals per year may not be charged a fee ◆ Must be invested in a principal preservation investment. <hr/> <ul style="list-style-type: none"> ◆ Contributions cease once account reaches \$2,500 (employer may set a lower amount). ◆ Auto-enrollment allowed up to 3% of pay. <p>Amounts may be withdrawn at any time without penalty.</p>	Distributions made after December 31, 2023	Optional	<p><i>Awaiting Guidance</i></p> <p>Additional information is needed from the IRS to support offering maximum flexibility to employers, participants, and service providers. Sentinel is assessing interest level of sponsors and will provide additional details.</p>

Contributions

	SECURE 2.0	Effective Date	Required or Optional	Sentinel Updates
Repayments of qualified birth or adoption distribution (QBAD)	Sec. 311 Limits the period to repay (treated as a rollover) to within three years of the date that the distribution was received.	Effective now. Applies retroactively to the three-year period beginning on the day after the date on which the QBAD distribution was received.	Mandatory if the plan permits QBADs	COMPLETE Sentinel has processes in place to handle repayments.
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	In Progress Sentinel is evaluating third party vendors with a 2024 goal to add this service if plan sponsor requests.
Catch-up contribution 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 (see the Sentinel update) The implementation date has been extended to 2026.	Required (if plan allows catch-ups)	In Progress <i>The implementation date has been extended to 2026. Due to the overall benefit of adding Roth, best practice is to add a Roth feature during 2024.</i>

Matching and/ or non-elective contribution may be Roth	<ul style="list-style-type: none"> ◆ 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. 	<p>Effective on the date of enactment of SECURE 2.0</p> <p>IRS guidance is required and significant operational changes are required prior to implementation</p>	<p>Optional</p>	<p>Awaiting Guidance</p> <p>Additional clarification from regulators on tax treatment and other key considerations required. Therefore, this feature may not be available near term. Alternatively, in-plan Roth rollovers can be used for similar tax-planning benefits.</p>
Long term, part- time worker eligibility (LTPT)	<p>Sec. 125 Expands plan eligibility for long-term part-time workers. Plan must permit previously ineligible LTPT employees with two consecutive years of 500 hours to defer their own pay.</p> <ul style="list-style-type: none"> ◆ 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. <p>Does not apply to collectively bargained plans.</p>	<p>Plan years beginning after December 31, 2024</p> <p>Note: For 401(k) plans, the SECURE Act three consecutive year rule will be effective for one year in 2024 before the SECURE 2.0 two year rule supersedes it effective 1/1/2025</p> <p>403(b) plans will apply the two year rule starting in 2023 and will need to permit LTPT employees to defer in 2025</p>	<p>Required for employers with eligibility greater than 500 hours per year or if part-time, temporary or seasonal employees are excluded from the plan</p>	<p>Employer Review Needed</p> <p>Hours tracking needed if plan sponsor has an eligibility requirement above 500 hours or part-time, temporary or seasonal workers. Contact your Sentinel representative with any questions.</p>

Contact your Sentinel
representative for more
information
