



# ***SECURE 2.0 – Take One***

How Professionals in Higher Ed Can Approach Secure 2.0.

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## Presenters:



**Pete Nadeau** is a Partner and Senior Consultant with **Fiducient Advisors**, servicing institutional clients by providing advice and counsel on all areas of fiduciary responsibility and fund oversight including policy, asset allocation, manager research, portfolio construction, portfolio rebalancing, performance monitoring and overall investment policy. His focus is on defined contribution retirement plans for both corporate and nonprofit organizations.



**Harry Atlas** is a Partner and business attorney with **Venable LLP** who helps companies and nonprofit organizations with complex employee benefit and executive compensation issues. Harry's practice includes the implementation, operation and termination of retirement plans, including qualified plans, 403(b) plans, and 457 plans. His clients seek his practical, effective counsel regarding nonqualified retirement plans, equity compensation arrangements, and golden parachute issues. He helps with Employee Retirement Income Security Act (ERISA) matters involving merger and acquisition (M&A) transactions, and with Pension Benefit Guarantee Corporation (PBGC) negotiations in the context of potential or actual bankruptcy situations.



**Chris Spence** is a Managing Director – Head of Federal Government Relations with **TIAA**. Chris' career spans over 23 years during which he's worked as a financial advisor, policy analyst and lobbyist. He currently leads TIAA's Federal Government Relations Team, charged with Developing enterprise-wide policy positions and advocating on behalf of TIAA and its affiliates.

# Agenda



**SECURE 2.0 Overview**



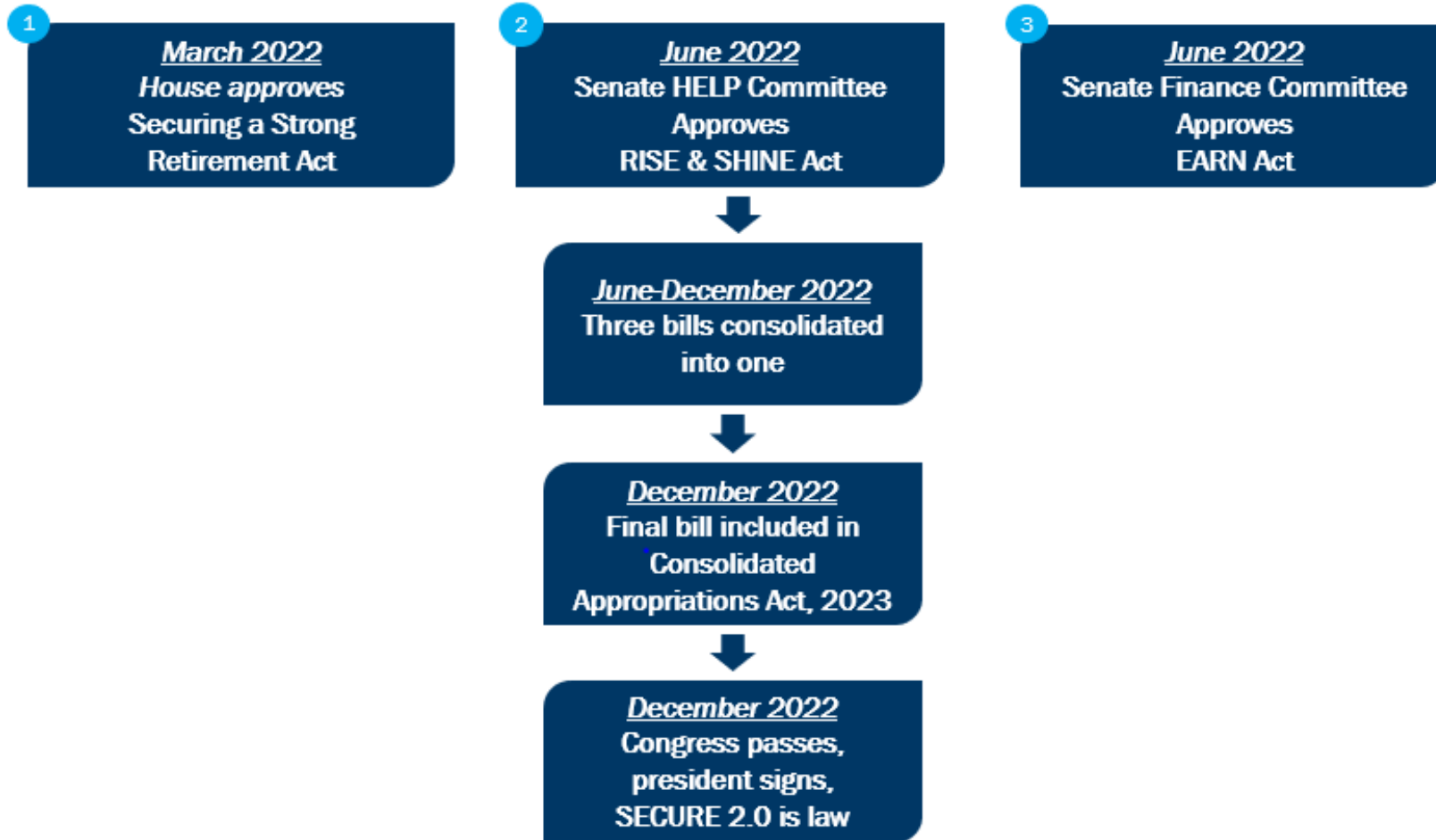
**Key Provisions**



**Plan Sponsor Considerations**

# SECURE 2.0 Overview

# SECURE 2.0 Overview: legislative path and executive summary



- Multi-year effort following SECURE “1.0” enactment
- Includes over 90 provisions
- Effective dates vary, mix of optional/mandatory
- RMD age change effective now
- Last minute change (CITs) and addition (529s)
- Focus on small employers and improving access
- Numerous provisions will require regulators’ input

# Key Provisions

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Provision	Description	Effective Date	Type
<b>CITs in 403(b) Plans</b>	Amends the Tax Code to allow for CITs in 403(b) plans, but does not provide the necessary securities law exemptions, <i>rendering the provision ineffective</i>	Enactment	Optional
<b>Roth: Match/Nonelective</b>	Permits employers to allow employees to designate employer match and nonelective contributions to be treated as Roth	Enactment	Optional
<b>Financial Incentives</b>	Allows employers to offer employees incentives, such as gift cards, for making contributions	Enactment	Optional
<b>Barriers to Annuitization</b>	Addresses RMD regulations that create barriers to annuities by, for example, updating an outdated actuarial test and removing disincentives to partial annuitization	Enactment	Mandatory

# Key Provisions

Provision	Description	Effective Date	Type
Update RMD Age	Increases the age from 72 to 73 effective 1/1/2023 and to 75 on 1/1/2033	12/31/2022	Mandatory
403(b) MEPs/PEPs	Allows 403(b) plans to join a common plan and expands small employer plan start-up credit	12/31/2022	Optional
Roth: Catch-up Contributions	Requires age-based catch-up contributions be made as Roth for wages over \$145,000	12/31/2023	Mandatory
Student Loan Payments	Permits employers to make matching contributions based on qualified employee student loan payments	12/31/2023	Optional
Emergency Savings	Allows employers to offer emergency savings accounts in defined contribution plans and/or to permit for penalty-free withdrawals for “emergency personal expenses”	12/31/2023	Optional
529 Plans	Allows for rollover of excess 529 contributions to a Roth IRA	12/31/2023	Optional



# Key Provisions

Provision	Description	Effective Date	Type
Auto-Enrollment/Escalation	Takes steps to improve utilization of automatic provisions to enhance participation and savings rates for <u>new plans</u>	12/31/2024	Mandatory
Coverage for Part-time Workers	Reduces the three-year service requirement for long-term, part-time employees to two years and expands requirement to ERISA-covered 403(b) plans	12/31/2024	Mandatory
Increased Catch-up Contribution	Increases catch-up contribution amount to \$10,000 or 150% of regular catch-up for those age 60-63	12/31/2024	Optional / Mandatory
Retirement Savings Lost & Found	Establishes an online searchable database, maintained by DOL, to help individuals locate retirement accounts	12/31/2024	Mandatory
Increased Cash-out Limit	Increases the maximum mandatory distribution limit from \$5,000 to \$7,000	12/31/2024	Optional
Paper Benefit Statement	Requires annual paper statement to plan participants	12/31/2025	Mandatory
Saver's Match	Saver's Credit now "Saver's Match"; expands access to/awareness of the match	12/31/2026	Optional

# Plan Sponsor Considerations

# Plan Sponsor Considerations: how to manage the provisions

Plan sponsors will have to make decisions about their plan not only for today, but for the foreseeable future



## Effective Dates

Effective dates vary; some took effect immediately, others at the beginning of 2024 and some in later years.



## Optional / Mandatory

Provisions are optional or mandatory. For optional, plan sponsors will have to decide on need, cost and impact to the plan and participants.



## Regulations

DOL, IRS and Treasury will issue regulations over the next few years on certain provisions that will provide additional guidance for plan sponsors.

# Plan Sponsor Considerations: questions to consider

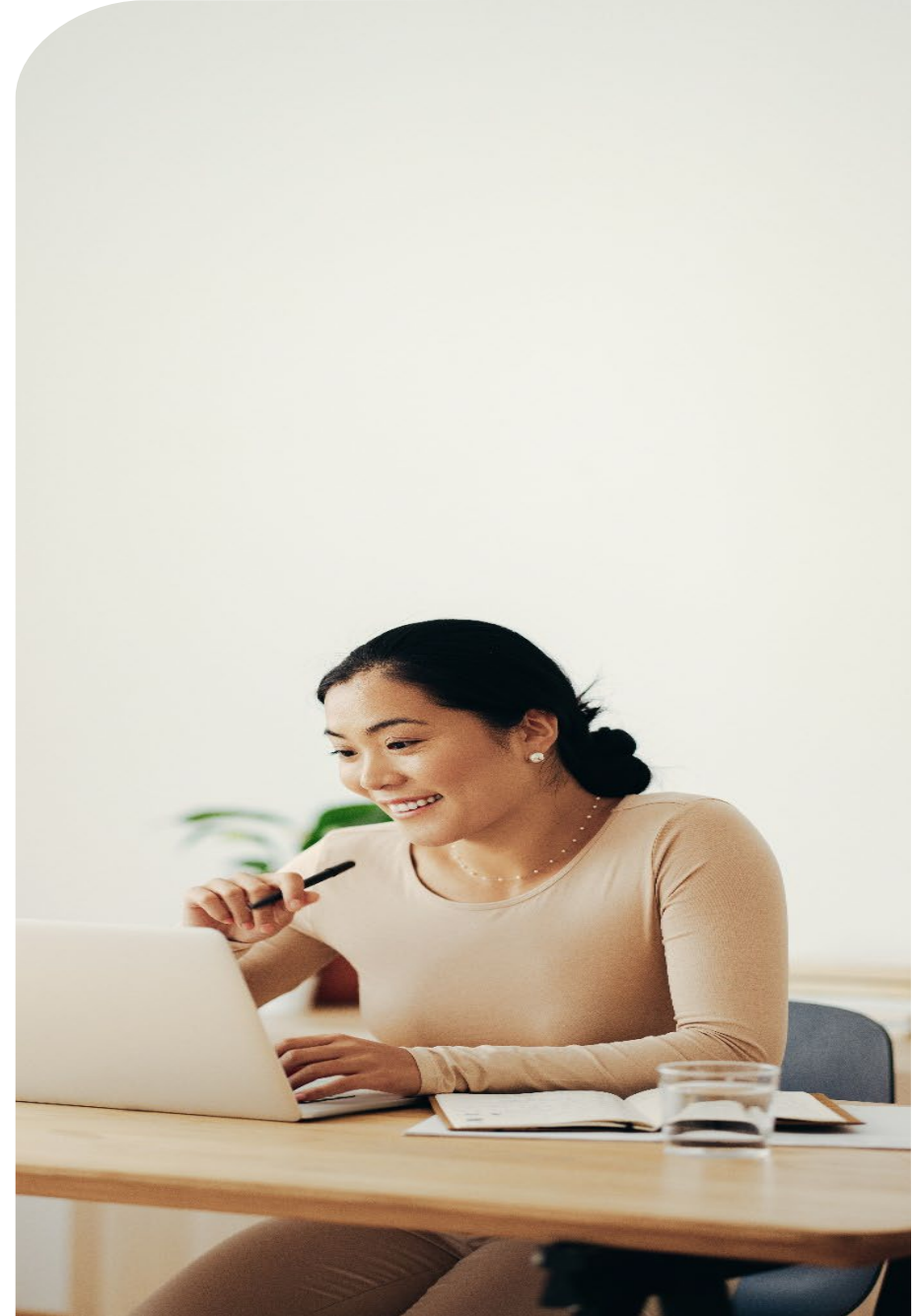
Provision	Effective Date	Type	Considerations
<b>Roth: Match/Nonelective</b>	Enactment	Optional	<ul style="list-style-type: none"> <li>• Participants understanding Roth and its impacts</li> <li>• Unclear as to tax implications and withholding to you</li> </ul>
<b>Financial Incentives</b>	Enactment	Optional	<ul style="list-style-type: none"> <li>• Is participation an issue for you</li> <li>• How much will the incentive cost</li> <li>• What incentive(s) will be meaningful to my employees</li> </ul>
<b>403(b) MEPs/PEPs</b>	12/31/2022	Optional	<ul style="list-style-type: none"> <li>• Would it be more beneficial to join a MEP/PEP</li> <li>• Does joining a MEP/PEP create savings opportunities and/or provide more services</li> </ul>
<b>Roth: Catch-up Contributions</b>	12/31/2023	Optional / Mandatory	<ul style="list-style-type: none"> <li>• Participants understanding of Roth and its impacts</li> <li>• How many participants will be impacted by the change</li> <li>• How should we communicate</li> </ul>
<b>Student Loan Payments</b>	12/31/2023	Optional	<ul style="list-style-type: none"> <li>• How many participants will take advantage</li> <li>• What will the cost or budget impact</li> <li>• What will other participants say or think about this benefit</li> </ul>
<b>Emergency Savings</b>	12/31/2023	Optional	<ul style="list-style-type: none"> <li>• Which option is best for my employees</li> <li>• What is the budget impact if choose the contribution</li> <li>• Are we concerned about leakage</li> </ul>

# Plan Sponsor Considerations: questions to consider

Provision	Effective Date	Type	Considerations
Coverage for Part-time Workers	12/31/2024	Mandatory	<ul style="list-style-type: none"> <li>How many additional employees will be participating in the plan</li> <li>Will eligible employees be asking questions</li> </ul>
Increased Catch-up Contribution	12/31/2024	Optional / Mandatory	<ul style="list-style-type: none"> <li>How many participants will be impacted</li> <li>How can this be part of a communication strategy</li> </ul>
Increased Cash-out Limit	12/31/2024	Optional	<ul style="list-style-type: none"> <li>How many participants do you have with low balances</li> <li>What is the level you want to set for cash-outs</li> </ul>
Paper Benefit Statement	12/31/2025	Mandatory	<ul style="list-style-type: none"> <li>Can we provide work email addresses to recordkeeper</li> <li>Is this an opportunity to remind participants to check their statement, appropriate asset allocation and increase contributions</li> </ul>
Saver's Match	12/31/2026	Optional	<ul style="list-style-type: none"> <li>Do we have employees that can take advantage</li> <li>Do we want to accept the government match</li> </ul>
Plan Documents	12/31/2025	Mandatory	<ul style="list-style-type: none"> <li>Should we have something in writing before plan documents need to be updated</li> </ul>

## Plan Sponsor Considerations: checklist

- Updates to payroll files
- Potential updates to payroll and current salary deferral process
- Consider tax implications to employees
- Employee communications and education
- Provision impact to retirement plan goals
- Programming and IT builds
- Budget resources allocation
- Update plan documents



# Questions?

