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SECURE 2.0 Timeline

When the SECURE 2.0 Act of 2022 (SECURE 2.0) was signed into law on December 29, 2022, it created a host of mandatory and optional rule changes for retirement plans under both the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code (the Code). Given the sheer number of compliance adjustments required of plans—and available to them—many plan sponsors feel overwhelmed in assessing what must be done and when. The following list details retirement plan changes under SECURE 2.0, by order of effective dates. Please see our whitepaper for more details about each provision.

Effective Immediately

- **Roth option for employer matching or nonelective contributions—optional:** Plans may allow participants to elect any matching or nonelective contributions made after SECURE 2.0's enactment date (December 29, 2002) to be contributed to the plan on a Roth basis.
- **Disaster relief distributions—optional:** Plans may allow participants who live in a federally declared disaster area and have experienced a loss due to the disaster to take a distribution, up to $22,000, going back to disasters occurring on or after January 26, 2021.
- **Deadline for repaying qualified birth or adoption distributions—optional:** Plans that offer qualified birth or adoption distributions (QBADs) may limit repayments of the distribution back into the plan to only within three years of the distribution.

2023

- **Permitting small financial incentives for deferring into a plan—optional:** Plans may offer small financial incentives to employees for deferring into a 401(k) plan or 403(b) plan, such as gift cards in small amounts.
- **Increase in required distribution beginning date age:** Required minimum distributions (RMDs) increased to age 73 for participants who attain age 72 after December 31, 2022.
- **Changes to RMD rules:** Excise taxes on participants who miss an RMD are reduced.
- **Hardship distributions streamlined—optional:** Plan administrators may rely on a written certification from the participant that they have a financial need allowing them to take a hardship distribution.
- **Eliminating disclosure requirements for unenrolled participants:** Unenrolled participants need not receive all required notices under ERISA and the Code.
- **Tax credits for small employer retirement plan startup costs:** Expanded tax credits for small employers adopting a start-up retirement plan.
- **Military spouse retirement plan eligibility credit for small employers:** Small employers may take a tax credit for retirement plan contributions made to military spouses.

2024

- **Permit matching contributions on student loan payments—optional:** Code Section 401(k) plan, 403(b) plans, SIMPLE IRAs and governmental 457(b) plans may make matching contributions based on the participant's repayment of student debt.
- **SECURE 1.0 change—reduction in eligibility requirement for long-term part-time workers—mandatory:** Plans must allow employees to defer into the plan if they have had three consecutive years with at least 500 hours.
- **Provisions for emergency distributions—optional:** Plans may allow participants to take a distribution up to $1,000 for "unforeseeable or immediate" emergencies.
- **Provisions for emergency savings accounts—optional:** Plans may allow participants to establish pension-linked emergency savings accounts, up to $2,500.
- **Increase in cash-out limit—optional:** Plans may increase the cash-out distributions (without participant consent) from $5,000 to $7,000.
- **Roth contributions for catch-up deferrals—mandatory, if applicable:** Catch-up contributions for participants earning more than $145,000 in the prior year must be made only on a Roth basis.
- **RMD changes:** Roth accounts in 401(k) plans, 403(b) plans and governmental 457(b) plans are no longer subject to the lifetime RMD requirements.
- **403(b) hardship distributions:** 403(b) plans may make hardship distributions from qualified nonelective contributions and qualified matching contributions (including safe harbor contributions).
- **Distributions to victims of domestic abuse—optional:** Plans may allow participants who have suffered domestic abuse to take a distribution up to $10,000.
- **Add or increase nonelective contributions for prior year—optional:** Employers may add or increase a nonelective contribution to an existing plan for the prior plan year, up until the date of its tax return filing.

2025

- **Expanding automatic enrollment—mandatory, if applicable:** Code Section 401(k) plans, 403(b) plans and governmental 457(b) plans established on or after December 29, 2022, must have an eligible automatic contribution arrangement (EACA).
- **Higher catch-up contribution for participants at age 60—optional:** Plans may allow participants who turn 60, 61, 62 and 63 to increase their catch-up contributions to the greater of 10,000 or 150% of the standard catch-up limit.
- **Reduction in eligibility requirement for long-term part-time workers—mandatory:** Plans must allow employees to defer into the plan if they have had two consecutive years with at least 500 hours.
- **Plan amendment deadline—mandatory:** Plan documents must be amended for SECURE 1.0, the CARES Act and SECURE 2.0, unless the deadline is extended by the IRS.

2026

- **Distributions for long term care contracts—optional:** Plans may allow participants to take distributions to pay premiums on long-term care contracts, up to $2,500.
- **Paper statements required—mandatory:** Paper benefits statements required for defined contribution plans once per year and defined benefit plans once every three years, unless participant affirmatively elects electronic delivery.

2027

- **Saver's match—optional:** Retirement plans may choose to accept saver's match contributions from the federal government on behalf of deferring participants earning $71,000 or less (married filing jointly).

2033

- **Increase in required distribution beginning date age:** RMDs increased to age 75 for participants who attain age 74 after December 31, 2032.

Effective Dates Dependent on Future Regulations

- Plans may use a benchmark that is a blend of different broad-based securities market indices for investment alternatives containing a mix of asset classes.
- Defined benefit plans that offer a lump-sum distribution window must provide participants notice under ERISA regarding information pertinent to the distribution option.

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Plan sponsors should take this opportunity to review their plan design to determine which new options under SECURE 2.0 will optimize their plan's performance for their specific labor force. When reassessing the ideal plan design, sponsors should take a holistic approach, considering not only their retirement plans, but also other benefit programs and any nonqualified deferred compensation plans. Gallagher can help in thinking through the best alternatives for your unique workforce and goals.

When thinking through which optional SECURE 2.0 provisions you would like to take advantage of, it's important to stay in contact with your service providers. Record-keepers and TPAs will need some time to implement these new rule changes, especially the ones that become effective in 2023. Gallagher can help you work with your service providers to better understand when would be the best time to add a new alternative that has become available under SECURE 2.0.

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