

SECURE ACT 2.0

IMPACT ON EMPLOYERS & PARTICIPANTS

January 2023

SUMMARY OF PROVISIONS

Provision	Effective Date	Mandatory vs. Optional	Employer Viewpoint	Employee Viewpoint
RMD Penalty Reduction	Now	Mandatory	Positive	Positive
Early distribution rules when terminally ill	Now	Optional	Neutral	Positive
Matching Contributions on a Roth Basis	Now	Optional	Neutral to Negative Need more time to allow vendors to program systems. If it costs the employee and employer, the FICA amounts would raise costs.	Positive
Recoup overpayments	Now	Optional, certain mandatory participant protections for ERISA plans	Positive	Positive
Small Employer Tax Credit & Eligibility for Military Spouses in Plan	Now	Optional	Neutral – would need to have a capture system for military spouses and would need to code these employees differently so that the recordkeeper could monitor vesting.	Positive

Provision	Effective Date	Mandatory vs. Optional	Employer Viewpoint	Employee Viewpoint
Employee Self Certification of Hardships	Now	Optional	Positive to Neutral – Less burden on employers, could lead to more hardship distributions	Positive - but could hurt their long-term account balances.
Recoup overpayments	Now	Optional, certain mandatory participant protections for ERISA plans	Positive	Positive
De Minimis Financial Incentives	1/1/2023	Optional	Neutral	Neutral
RMD 73 in 2023, 74 in 2032 and 75 in 2033	1/1/2023	Mandatory	Positive - Could keep assets in plans longer.	Positive - Allows for better tax planning.
Emergency Savings	1/1/2024	Optional	Positive - Could reduce number of loans/hardship withdrawals. More than likely will require an amendment.	Positive - for non-highly compensated employees as HCEs cannot participate.
401(k) Matching of Student Loans	1/1/2024	Optional	Positive - This could be a good recruiting tool. Would require an amendment.	Positive
Increase Mandatory Cash Out Limit	1/1/2024	Optional	Positive	Neutral
Domestic Abuse Victims \$10,000 Withdrawal	1/1/2024	Optional	Positive – could provide battered spouses money to start over.	Positive
Improved Self-Correction of Auto Enrollment/Auto Increase Errors	1/1/2024	Optional	Positive	Positive

Provision	Effective Date	Mandatory vs. Optional	Employer Viewpoint	Employee Viewpoint
529 Plan Rollover to Roth	1/1/2024	Per Individual	Neutral – does not impact the plan, employees may inquire	Positive
Increased Catch-Up Contributions for Ages 60 - 63	1/1/2025	Optional	Positive – dependent on payroll systems in place. Could increase cost if matching catch-up contributions.	Positive
New Plans – Required Auto Enrollment/ Auto Increase	1/1/2025	Mandatory	Neutral – existing plans are grandfathered	Positive
DOL System for Lost Participants	1/1/2025	TBD	Positive – could help with finding lost participants.	Positive
Long-Term Part-Time Employee Participation (500 Hours)	1/1/2025	Mandatory	Neutral – could increase overall RK costs due to smaller account balances. Could cause some additional work with AE if not included. Could consider reducing 401(k) eligibility hours from 1,000 to 500 to avoid problem of missing these people each year or eliminating the hour requirement all together.	Positive – although not sure many will voluntarily participate.
Required Roth Catch up	1/1/2026	Mandatory	Neutral to Negative - Would need program payroll system to handle this. May require Payroll involvement at end of year.	Neutral - depends on participant preference.
Long-Term Care Insurance	1/1/2026	Optional	Positive – Allows more planning for employees. Could tailor in benefit program for employees. Will need to see more information	Positive



Provision	Effective Date	Mandatory vs. Employer Viewpoint Optional	Employee Viewpoint
Federal Match for Lower Wage Employees	1/1/2027	TBD	TBD – Federal government will likely promote this so employees may inquire Positive



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