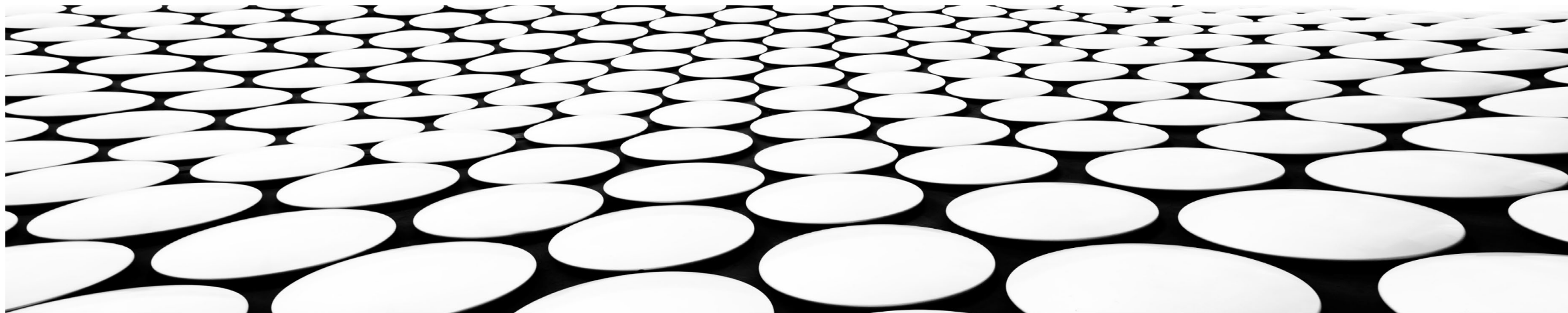


SECURE ACT UPDATE – VBA 401(K) CONFERENCE

MAY 21, 2024



SECURE Act Overview



Secure 1.0 – Passed in 2019 as part of 2020 Appropriations Bill

Secure 2.0 – Passed in 2022 as part of the Consolidation Appropriations Act



Secure 1.0 – Included many retirement specific provisions including:

- RMD increased to age 72
- Long-term, part time employee eligibility (>500 hours in 2021 – 2023; effective 1/1/24)
- Childbirth or adoption distributions up to \$5,000



Secure 2.0 – Includes around 100 retirement specific plan provisions

- Varying effective dates
- Includes few required provisions; many provisions optional
- RMD increased to age 73 (age 75 after 12/31/32); 401(k) Roth no longer receive RMD requirement
- Long-term, part time employee eligibility updated (>500 hours in 2 consecutive years; effective 1/1/25)

Plan documents do not
need to be updated until
December 31, 2026

Created SMMs for
SECURE Act 2.0 optional
plan provisions

SECURE Act 2.0 Optional Plan Provisions

QUALIFIED DISASTER DISTRIBUTION/LOANS

- Permits participant to request a distribution (up to \$22,000) or loan (up to \$100,000) without having to pay IRS 10% premature distribution penalty tax due to federal disaster declaration
- Permitted 3 years to repay distribution back into retirement plan
- Participant will need to provide the disaster they are claiming and proof that they live or work in the zip code impacted

WITHDRAWALS FOR DOMESTIC ABUSE CASES

- Permits participant to request a distribution (the lesser of up to \$10,000 or 50% of participant's account) without having to pay IRS 10% premature distribution penalty tax if they have experienced domestic abuse
- Includes abuse of child or household member
- May rely on victim self-certification
- Permitted 3 years to repay distribution back into retirement plan

WITHDRAWALS FOR EMERGENCY PERSONAL EXPENSES

- Permits participant to withdraw up to \$1,000 per year to meet unforeseeable emergency expenses without having to pay IRS 10% premature distribution penalty tax
- Must be unforeseeable or immediate financial need relating to “personal or family emergency expenses”
- One distribution per year
- Permitted 3 years to repay distribution back into retirement plan
- No further emergency distributions allowed during 3 year repayment period unless distribution is repaid, or aggregate elective deferrals are contributed to plan in at least the amount that was distributed and not repaid
- May rely on employee self-certification

SELF-CERTIFICATION OF HARDSHIP WITHDRAWALS

- Permits participant to self-certify that a hardship withdrawal is based upon an immediate and heavy financial need, and that the amount is no more than necessary
- Participant must certify that no alternative means are reasonably available to satisfy need
- Plan sponsor liability could be reduced by allowing employee self-certification

EMPLOYER MATCHING CONTRIBUTIONS WILL APPLY TO QUALIFIED STUDENT LOAN PAYMENTS FOR PARTICIPANTS

- Permits plan sponsor to make matching employer contributions to a participant's plan account based on the participant's qualified student loan repayments
 - Treats student loan payments as elective deferrals for purposes of matching contributions
- Note: Employer will be responsible for establishment of procedures for eligible participants and verifying student loan repayments
- May not be made with respect to repayments exceeding the elective deferral limit (for 2024, the elective deferral limit is \$23,000)
- Must apply to participants who are eligible for matching contributions under the plan
- Employer contributions will be applied in same manner and same source as the regular employer match contributions and plan testing will include student loan match contribution as applicable

Potential Future SECURE Act 2.0 Plan Provisions

Provision	Status/Potential Effective Date	Required/Optional
Updating dollar limit for mandatory distributions (\$7k)	2024	Optional
Pension linked emergency savings account (\$2,500)	2024	Optional
Treatment of ER matching or nonelective contributions as Roth	Waiting on further guidance	Optional
Higher catch-up limit for age 60-63	1/1/25	Required
Roth treatment for catch-up contributions by higher paid employees	1/1/26	Required