TIAA

SECURE 2.0 Act updates

Balancing today with what's next

Jen Crowe - Senior Director, Recordkeeping Solutions, TIAA
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CACUBO

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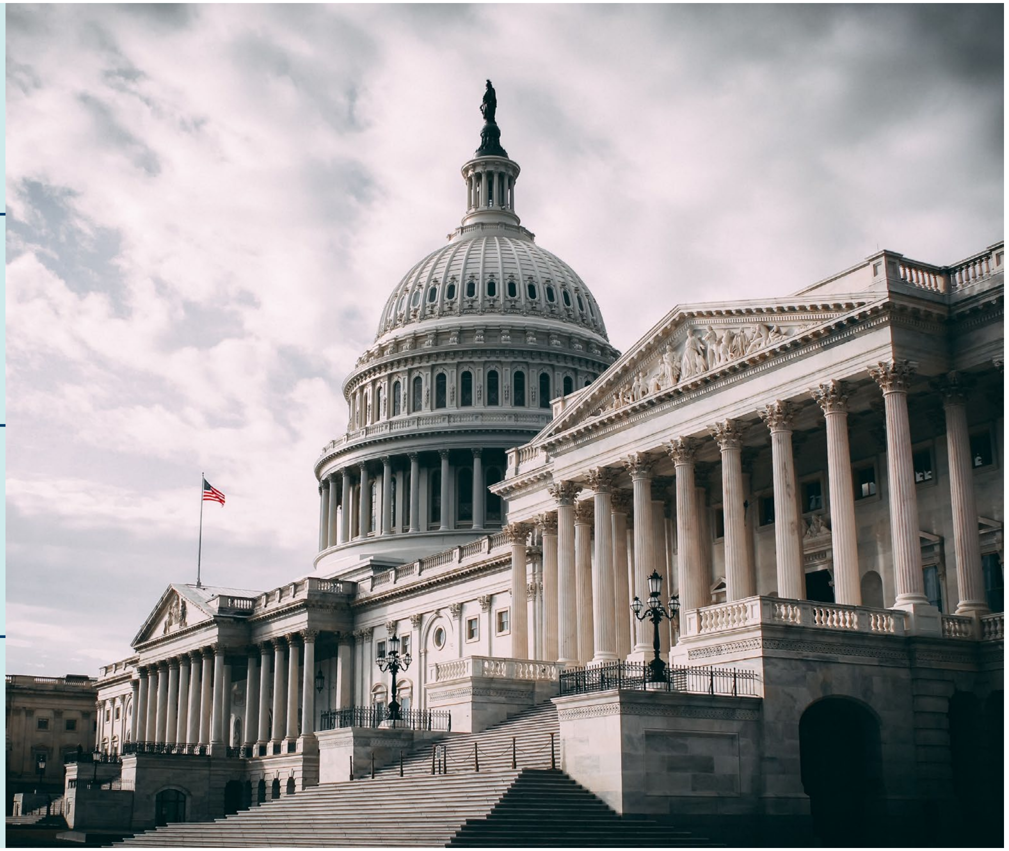
- The webinar is eligible for CPE. If you are interested in receiving CPE credit for this webinar, please e-mail me (Marty Mickey) at mmickey@nl.edu now. During the webinar, there will be three check-in questions for you to answer. **In order to receive CPE, you must answer all three of these questions.**
- Copies of the slides for this presentation and a recording of the webinar will be available on the CACUBO website in a couple of days.
- We will send out a survey afterwards to solicit thoughts and topics for future webinars. If you would be willing to present in a future webinar, please e-mail me at mmickey@nl.edu.
- Save space on your calendars for the 2024 CACUBO Annual Conference which is September 29-October 1 in Indianapolis. Great networking and CPE opportunities. Concurrent session proposals are now being accepted at https://cacubo.memberclicks.net/am-concurrent-session-proposal-topics.
- Our next webinar will be November 17 on the Inflation Reduction Act.

Today's topics

1. Latest update from Washington
2. What's now
3. What's next
4. Q&A



Legislative and regulatory updates since SECURE 2.0 passage

Recent Roth guidance

- On August 25, IRS issued guidance focused on SECURE 2.0 Act's Roth catch-up contribution provision
- Provides a two-year "administrative transition period" for compliance with new Roth requirements
- Confirms that SECURE 2.0 Act does not change the ability to make catch-up contributions in general

Regulatory guidance

- Still a lot of work in the regulatory space
- Expect guidance in many forms over the next few years
- Examples include student loan match, hardship withdrawals and emergency savings

Collective investment trusts (CITs) in 403(b)s

- House Financial Services Committee passed legislation to address securities law changes
- Many steps left in the legislative process and ultimate timing of enactment uncertain

Catch-up contributions to Roth (§603)

What it provides	Requires that all age 50+ catch-up contributions to retirement plans be made as "designated" Roth contributions for participants who earned more than $145,000 of compensation in the prior calendar year from the employer sponsoring the plan, indexed annually starting in 2025.
Plan types affected	401(k), 403(b) and governmental 457(b) plans that offer age 50+ catch-up contributions. This does not apply to 403(b) and 457(b) plan "special service" based catch-up contributions.
Effective date	Taxable years beginning after December 31, 2023, **with extension for administrative period transition until January 1, 2026.**

What's changed?

IRS notification (8/25/23) provided for the following:

Until 2026, the IRS will:

- Delay enforcement of compliance with §603 of SECURE 2.0 Act for participants who earn more than $145,000 in the prior year from the employer sponsoring the plan
- IRS Notice 2023-62 does not delay the effective date, but does provide plan sponsors with a two-year transition period to make necessary changes

Public comment period from now through October 24, 2023.

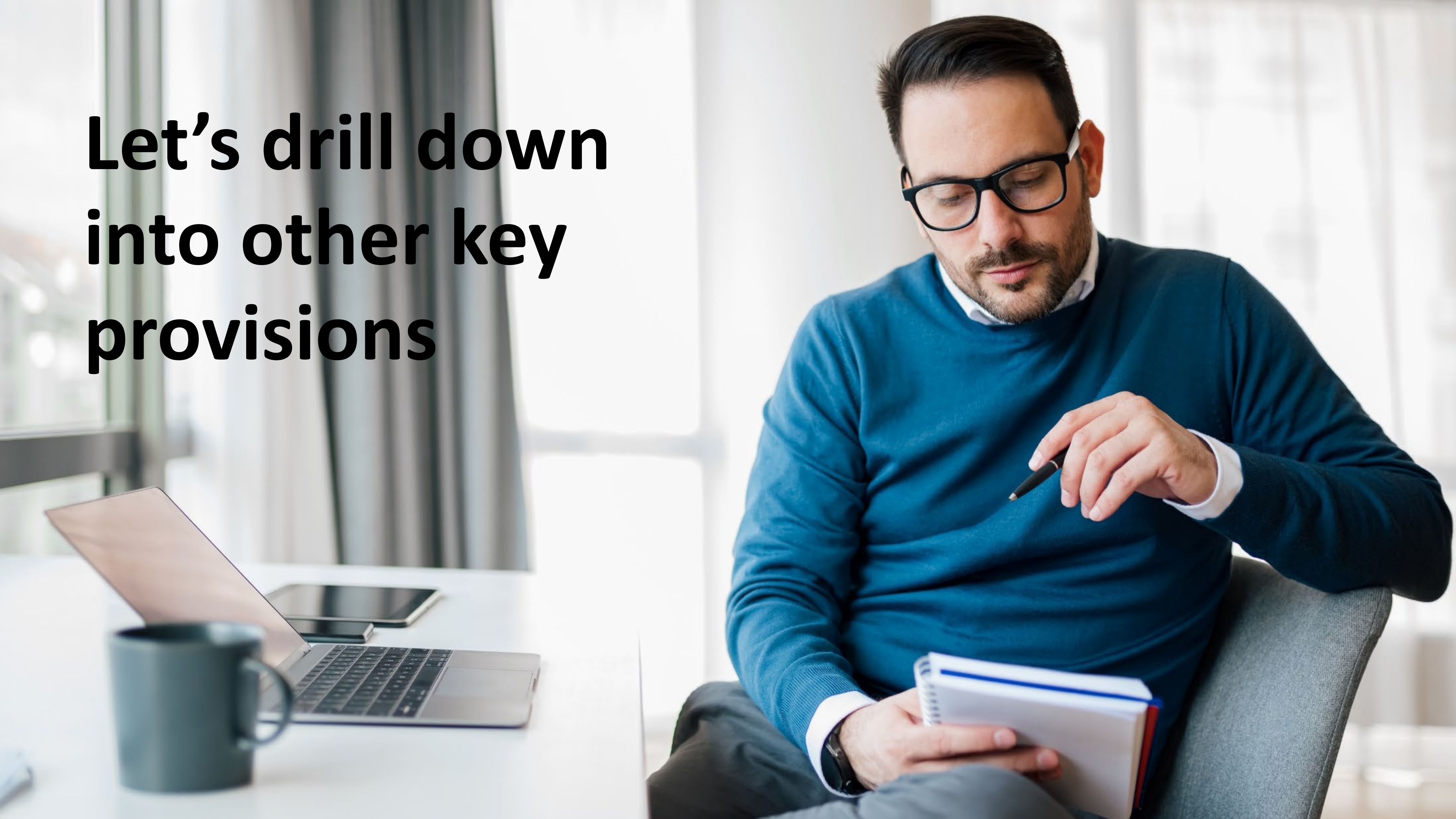
Treasury and the IRS expected to issue future guidance.

Question #1

The IRS recently announced an administrative transition period to allow plan sponsors, payroll providers, and recordkeepers more time to comply with Provision 603. When does that period end?

1. December 31, 2024
2. April 15, 2025
3. January 1, 2026

Let’s drill down into other key provisions



SECURE 2.0 Act

TIAA readiness target for key provisions

Savings | Access | Plan simplification, other

Year-end, 2023*		2024*		
✓ Required minimum distribution (RMD) age change ✓ Eliminate first day-of-month requirement for 457(b) governmental plans ✓ Multiple employer plans (MEPs) • RMD plan distribution rule change for Roth contributions • Surviving spouse election to be treated as employee	• Aligning 403(b) and 401(k) hardship distribution rules • Updating dollar limit for mandatory distribution	• Student loan payments eligible for matching contributions • Higher catch-up contributions for ages 60-63 • Employer matching or nonelective contributions designated as Roth	• Improving coverage for long-term, part-time workers • Penalty-free withdrawals for: - victims of domestic abuse - certain emergency expenses • Auto-enrollment in new retirement plans	• Employee self-certification of hardships • Permissible plan withdrawals for federally declared disasters

*Subject to change based on ongoing regulatory and legislative clarification.

Purple text: optional provision

Check mark: available now

Secure 2.0: key provisions ready by year-end 2023

Roth plan distribution rules (§325)	Aligning 403(b) and 401(k) hardship distribution rules (§602)
Mandatory	**Optional/other***
• Eliminates required minimum distribution for Roth accounts in employer plans • This aligns with Roth IRAs	• Participants may request a hardship distribution from certain employer contributions and salary deferrals • 403(b) plan participants are no longer required to take a plan loan prior to requesting a hardship distribution
Affected plan types: 401(a), 401(k), 403(a), 403(b), governmental 457(b) **Effective date:** tax years beginning after December 31, 2023	**Affected plan types:** 403(b) **Effective date:** effective for plan years beginning after December 31, 2023 * If hardship withdrawals are available under the terms of your retirement plan

Secure 2.0: key provisions ready by year-end 2023

Updating dollar limit for mandatory distributions (§304)	Surviving spouse election to be treated as employee (§327)
Optional/Other	**Mandatory**
• Increases the dollar threshold—from $5,000 to $7,000—at which a plan could distribute a former employee's retirement plan balance without participant consent or spousal consent • If the amount exceeds $1,000, the plan sponsor would have to direct the distribution as a rollover to an IRA established in the name of the former employee/participant	• A surviving spouse who is the sole beneficiary of a deceased participant may elect to be treated as the deceased employee for purposes of the required minimum distribution rules • The provision allows a surviving spouse who is the sole beneficiary of a deceased plan participant or IRA owner to elect to have RMDs determined using the Uniform Lifetime Table rather than the Single Life Table • Spousal beneficiaries will not need to roll inherited benefits out of an employer-sponsored plan to their own IRA to get the benefit of a longer distribution and smaller mandatory RMD
Affected plan types: 401(a), 401(k), 403(b)	**Affected plan types:** 401(a), 401(k), 403(a), 403(b), 457(b)
Effective date: distributions made after December 31, 2023	**Effective date:** calendar years beginning after December 31, 2023

Question #2

The SECURE Act includes an optional provision to increase the dollar threshold for mandatory distributions. What is that new, higher amount?

1. $6,000
2. $7,000
3. $10,000

Secure 2.0: key provisions ready in 2024

Employer may rely on employee self-certification that deems hardship distribution conditions are met (§312)	Permissible withdrawals in connection with federally declared disasters (§331)
Optional/Other	**Optional/Other**
• Plan administrators may rely on participant written communication that they have an event that constitutes a hardship under a 401(k) or 403(b) plan as well as an unforeseeable emergency for 457(b) plans **Affected plan types:** 401(k), 403(b), governmental 457(b) **Effective date:** effective for plan years beginning after December 29, 2022	• The 10% early-withdrawal penalty tax is waived • Provides for automatic loan relief to any "qualified individual" whose principal place of abode is located in a disaster area and who sustains an economic loss by reason of the disaster • Increases the minimum loan limit for qualified individuals to the lesser of either \$100,000 or the greater of \$10,000 or 100% of the present value of the participant's nonforfeitable accrued benefit • Relief is available during the 180-day period following the date of whichever happens latest: enactment, the first incident, or the day the disaster declaration is issued **Affected plan types:** 401(a), 401(k), 403(b), 403(c), traditional IRAs **Effective date:** For disasters occurring on or after January 26, 2021

Secure 2.0: key provisions ready in 2024

Option to designate employer matching and/or nonelective contributions as Roth contributions (§604)	Student loan payments eligible for matching contributions (§110)
Optional/Other	**Optional/Other**
• Allows Defined Contribution plans to provide participants with the option of receiving matching contributions on a Roth basis **Affected plan types:** 401(k), 403(b), governmental 457(b) **Effective date:** effective for plan years beginning after December 29, 2022	• Permits a plan sponsor to make matching contributions based on the employee's qualified student loan payments • Employee must certify qualified education loan repayment • Qualified loan match cannot exceed current limit for elective contributions (less actual elective contributions) • Must be at same match rate, eligibility and vesting as elective contributions • Nondiscrimination testing would test separately the group of employees receiving the student match • Annual frequency (minimum); claims allowed at least three months after plan year close **Affected plan types:** 401(k), 403(b), governmental 457(b), SIMPLE retirement accounts **Effective date:** plan years beginning after December 31, 2023

Secure 2.0: key provisions ready in 2024

Penalty-free withdrawals for certain emergency expenses (§115)	Penalty-free withdrawals from retirement plans for individual case of domestic abuse (§314)
Optional/Other	**Optional/Other**
• Provides an exception to the 10% early-withdrawal penalty tax for certain distributions used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses • Only one distribution is permissible per year of up to $1,000, and a taxpayer has the option to repay the distribution within three years • No further emergency distributions are permissible during the three year repayment period unless repayment occurs **Affected plan types:** 401(a), 401(k), 403(b), 403(c), traditional IRAs **Effective date:** distributions made after December 31, 2023	• If permitted under the terms of the plan, participants may self-certify that they have experienced domestic abuse and would be permitted to take a penalty-free withdrawal up to a limited amount • Such a distribution will not be subject to the 10% penalty tax on early distributions • Additionally, the participant may repay the amount distributed within three years, in which case it is generally treated as a direct trustee-to-trustee transfer • May not be taken from a plan that QJSA or QPSA rules apply to **Affected plan types:** 401(a), 401(k), 403(b), 457(b), traditional IRAs **Effective date:** distributions made after December 31, 2023

Secure 2.0: key provisions ready in 2024

Higher catch-up contributions to apply at ages 60, 61, 62, 63 (§109)	Improving coverage for part-time workers (§125)
Optional/Other	**Mandatory**
• Raises the annual catch-up contribution limits to the greater of $10,000 or 150% more than the regular catch-up amount in 2024 • Must be designated as Roth for participants who earned more than $145,000 of compensation from the employer sponsoring the plan in the prior calendar year—subject to the delay of enforcement until January 1, 2026, under IRS Notice 2023-62	• Reduces the service requirement for long-term, part-time workers to two years—down from three years—to become eligible to participate in ERISA 401(k) and 403(b) plans • Provides that pre-2021 service is disregarded for vesting purposes (retroactive to plan years beginning after December 31, 2020) • ERISA 403(b) sponsors need to begin tracking for this provision now to be ready in 2025
Affected plan types: 401(k), 403(b), governmental 457(b), SIMPLE plans **Effective date:** effective for tax years beginning after December 31, 2024	**Affected plan types:** ERISA 401(k) and 403(b) plans **Effective date:** effective for plan years beginning after December 31, 2024

Secure 2.0: key provisions ready year-end 2024

Auto-enrollment in new retirement plans (§101)

Mandatory

- A newly established ERISA 401(k) or 403(b) plan must automatically enroll participants in the respective plan when they become eligible and include auto-escalation provisions unless an exception is met
- For purposes of MEPs and PEPs, each plan sponsor that joins a MEP or PEP will be required to include auto-enrollment and auto-escalation in accordance with §101 provision date

Affected plan types: 401(k), 403(b)

Effective date: plan years beginning after December 31, 2024

Next steps and resources

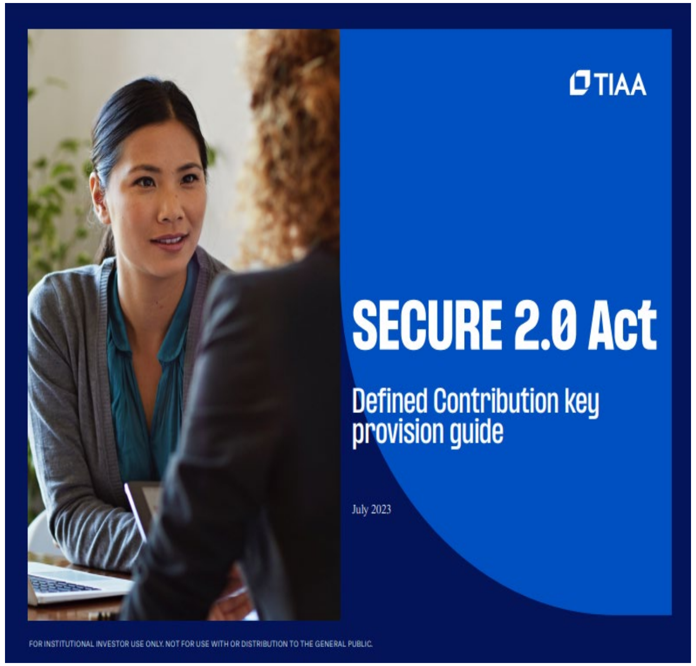
1. Continue reviewing the mandatory versus other/optional provisions carefully, as they may have different meanings depending upon the terms of a specific plan.

2. Assess the impact to your retirement plan objectives, goals and overall plan design.

3. Operational impacts may include:
    - Provision impact to retirement plan goals
    - Budget and timing resource allocation
    - Potential updates to payroll file and current salary deferral process
    - Employee communications and education
    - Programming and IT change requirements

4. Update plan documents as needed.

    Plan amendments must be made on or after January 1, 2025 (2027 in the case of governmental plans).



Your TIAA relationship contacts will support you every step of the way!

Question #3

The SECURE Act is one of the most significant pieces of retirement legislation ever passed. How many provisions were included in the SECURE Act?

1. 56
2. 104
3. 92

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