ACT OF 2022

TRANSAMERICA®

The SECURE 2.0 Act of 2022 (SECURE 2.0) is designed to increase retirement savings opportunities in the United States. Building on the SECURE Act of 2019, SECURE 2.0 includes 92 provisions to boost incentives for businesses and create more flexibility for workers saving for retirement. This summary covers key highlights.

General timing: Plans must be amended for SECURE 2.0 by the last day of the plan year beginning on or after January 1, 2025 (January 1, 2027 for governmental plans); plans must be operated in accordance with the effective dates of the provisions.

CONTRIBUTIONS

Roth catch-up contributions for higher earners — ***2026***[1]

Catch-up contributions made by participants who earned more than $145,000 (indexed for inflation) in the prior calendar year from the employer sponsoring the plan must be in the form of Roth contributions. Participants whose prior-year earnings were equal to or less than the income limit will still be permitted to make pretax catch-up contributions.

Pop-up catch-up contribution increases — ***2025***

Starting January 1, 2025, participants who will turn 60 – 63 during the year may make larger catch-up contributions. The higher catch-up limit will be the greater of $10,000 (indexed for inflation) or 150% of the catch-up limit in effect for 2024.

Contribution incentives — ***2023***

Employees may receive “de minimis” financial incentives (e.g., gift cards) for contributing to a 401(k) or 403(b) plan. The incentives may not be paid from plan assets, and a definition of de minimis is not stated.

ROTH ACCOUNTS

Employer contributions may be designated as Roth — ***2022***

Plans may be amended to allow employees to designate matching and/or nonelective contributions as Roth contributions. If such contributions are designated as Roth, they must be 100% vested and included in taxable income at the time contributed. Regulatory guidance may be needed to clarify how the plan’s definition of benefit-eligible compensation, to the extent it is based on taxable income, will be affected.

DISTRIBUTIONS

Age changes for required minimum distributions (RMDs) — ***2023 and 2033***

For terminated participants or owner-employees who turn 72 in 2023, the applicable age for beginning RMDs is age 73. The applicable age for beginning RMDs will change to 75 for those who turn 74 after 2032.

Additional RMD provisions — ***2024***

Roth balances to be excluded from RMD calculation. Spousal beneficiaries wishing to be treated as the participant for purposes of the RMD commencement date must affirmatively elect this treatment. Regulations are to be issued allowing participants to elect certain annuity payments received by the participant to be factored into the RMD calculation.

New in-service distribution categories — ***Various dates***

Plans may allow in-service withdrawals that are exempt from the 10% early withdrawal penalty for qualified disaster recovery (currently in effect), emergency personal expenses, domestic abuse (2024), and qualified long term care insurance premiums (2026). Withdrawals may be repaid to the plan or an IRA for some of these circumstances, and the allowable amounts vary by category.

Self-certification of hardship requests — ***2023***

Plans may permit participants in 401(k) and 403(b) plans to self-certify that the withdrawal request is for one of the seven safe harbor reasons and that the amount does not exceed the need, in addition to the currently permitted self-certification that they have no other reasonably available means to meet the expense. Mirror changes also allow 457(b) plans to permit participant self-certification with respect to withdrawals for unforeseeable emergencies.

Enhancements to 403(b) plan hardship withdrawal rules — ***2024***

Consistent with 401(k) plan rules, 403(b) plans may allow participants access to qualified matching contributions (QMACs) and qualified non-elective contributions (QNECs) for hardship withdrawals, as well as to the earnings on salary reduction contributions, QMACs, and QNECs. Plans are no longer required to mandate that participants take all available loans before taking a hardship withdrawal.

Mandatory distribution limit increased — ***2024***

Plans may increase the maximum limit for small-balance, cash-out distributions to $7,000 effective for distributions after December 31, 2023.

POOLED PLAN PROVISIONS

Named fiduciary for pooled employer plans (PEPs) may collect contributions — ***2023***

The PEP trustee is no longer required to be the fiduciary responsible for collecting plan contributions. PEPs may designate any named fiduciary, other than an employer in the PEP, to collect plan contributions and to implement reasonable, diligent, and systematic written rules for collecting contributions.

Audit requirement removed for Group of Plans — ***2023***

Requirement for a trust-level audit for plans filing a single Form 5500 as a 'Group of Plans,' which was included in the DOL's proposed 5500 rules, has been eliminated. A plan will be subject to an audit only to the extent an audit would have been required had it filed as an individual plan.

403(b) plans may form MEPs, PEPs — ***2023***

Code Section 403(b) is amended to expressly permit MEPs and PEPs for non-church plans, and to extend availability of the unified plan relief rules to 403(b) MEPs and PEPs.

PLAN ENROLLMENT AND ELIGIBILITY

Mandatory automatic enrollment ***2025***

Unless an exception is met, 401(k) and 403(b) plans must include an eligible automatic contribution arrangement no later than January 1, 2025 (i.e., automatically enroll eligible employees at a rate between 3% and 10% of compensation; automatic deferral increases of at least 1% per year up to a maximum of between 10% and 15%; participants may opt out). This requirement does not apply to plans established prior to December 29, 2022; plans sponsored by employers that have been in existence less than three years (including predecessor employers); plans sponsored by employers that regularly employ 10 or fewer employees; and 403(b) plans sponsored by churches or governmental entities.

Long-term/part-time worker eligibility ***2025***

Part-time employees who work at least 500 hours in each of two consecutive eligibility computation periods (reduced from three under the SECURE Act) will be eligible to make deferrals into their employer's 401(k) plan. Applicability of this provision is extended to 403(b) plans. This change becomes effective for measuring periods beginning in 2023. Employers may exclude long-term, part-time employees from nondiscrimination testing, coverage testing, and the top-heavy contribution requirement.

EMERGENCY SAVINGS ACCOUNTS

Pension-linked emergency savings accounts (PLESAs) ***2024***

Plan sponsors may add emergency savings accounts for non-highly compensated employees to their individual account plans. Contributions must be designated as Roth, with contributions limited to no more than $2,500. Auto-enrollment is allowed at no more than 3% of pay. If the plan provides matching contributions, the match applies to the PLESA. Full or partial withdrawals must be permitted monthly, with no charge for the first four withdrawals in a year, and distributions from the PLESA will be treated as qualifying Roth distributions. PLESAs must be invested in cash, in an interest-bearing deposit account, or other investment designed to maintain the dollar value equal to the amount invested and preserve principal and provide a reasonable rate of return.

STUDENT LOAN REPAYMENTS

Employers may match student loan payments ***2024***

Qualified student loan payments may be matched by employers as if the payments were elective deferrals to the retirement plan. Matching contributions on qualified student loan payments are subject to the same formula, eligibility requirements, and vesting as elective deferrals. The plan may rely on the employee's self-certification as to the amount of their qualified student loan payments and must provide a window at the end of each plan year during which employees can provide self-certification. Employees who receive a match on qualified student loan payments may be tested separately for nondiscrimination purposes.

SMALL EMPLOYER PLAN CREDITS

Enhancement to tax credit for startup costs for small employers ***2023***

Tax credit for startup and administrative costs is increased from 50% to 100% for employers with 50 or fewer employees; $5,000 cap remains unchanged. Availability of the startup credit for employers joining a MEP/PEP is based on the date the participating employer joins, not when the MEP/PEP was started (subject to the credit's general conditions).

New tax credit added for employer contributions to retirement plans (except defined benefit plans) up to $1,000 per participant. For employers with 50 or fewer employees, credit is equal to 100% of the contributions in the first and second years, 75% in the third year, 50% in the fourth year, and 25% in the fifth year (up to the $1,000 cap per participant); phased out for employers between 51 – 100 employees. This is not available for contributions made on behalf of employees earning more than $100,000.

SAVER'S MATCH

Enhancement to saver's credit ***2027***

Existing low-wage earners saver's credit will be replaced with a saver's match beginning in 2027. The saver's match is equal to 50% of the taxpayer's contributions, up to $2,000, and must be deposited into an IRA or retirement plan; amounts under $100 will continue to be treated as a tax credit. The full match applies to those earning less than $41,000 and is phased out between $41,000 and $71,000. The match is treated as an elective deferral but does not count against contribution limits or for nondiscrimination testing.

More details

VISIT
Transamerica.com

CALL
888-401-5826

[1] The effective date was January 1, 2024, but the IRS has provided a two-year administrative implementation delay.

Information regarding retirement plans is general and is not intended as legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace savings plans. This material is for informational purposes and should not be construed as legal or tax advice. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.

RS3 2679186R1 11/23

TRANSAMERICA®