SECURE Act 2.0
Summary of Essential Changes

General Changes

- The onset of Required Minimum Distributions (RMD) has been pushed to Age 73 for Tax Year 2023 and penalties reduced.
- From Tax Year 2024, all after-tax "Roth" balances will no longer be considered for purposes of RMD's.
- Employers who make "Operational Errors" will likely be excused without penalty so long as they are fixed within a "Reasonable Timeframe"
- Employers who have accidentally overpaid a participant now have 3 calendar years to reclaim the money.
- There is no legal obligation for Employers to attempt recoupment and they can in fact decide NOT to reclaim the money.
- The PBGC's premium calculation has been changed such that premiums are more predictable and expected to be lower.
- The AFTAP form was revised to require a lot more information and this may end up costing Defined Benefit Plans more in administration fees.
- Those who currently file the full-sized Form 5500 may no longer need an independent Plan audit each year.

401k (Required)

- Part time employees who work more than 500 hours each year for two consecutive years must be allowed to defer 401(k)
- They are called "Long-Term Part-Time Employees" (LTPT) and will not be entitled to any kind of employer contribution until they qualify as regular participants.
- Entry dates are the same as those for regular participants and if the plan has auto-enrollment that will also apply to LTPT's.
- From Tax Year 2025, participants who are age 60, 61, 62, or 63 may contribute an additional $10,000.
- From Tax Year 2026, Highly compensated employees ($145,000+) and 5%+ Owners (plus their direct relatives) can only make their Age 50+ Catch-up contribution on an after-tax "Roth" basis. This rule applies to the Age 60-63 bonus too.

Safe Harbor Match and regular Matching (Optional)

- Plans with an employer matching feature (Match or Safe Harbor Match) can consider Student Loan repayments as a matchable contribution. The repayments would be added to the regular 401(k) and Roth deferrals and the participant would receive x% of that sum as per the Plan's matching formula.
- This feature is available from 2024 but we do not suggest it due to a number of outstanding questions about taxation.

Profit Sharing (Optional)

- Participants who are 100% vested may choose to receive their employer contributions on an after-tax "Roth" basis.
- The participant would pay taxes on this but the employer still deducts the contribution regardless of the participant's choice.
- Forfeitures must be used within 2 years and all existing forfeiture balances will be new as of 1/1/2024.

Defined Benefit (Optional)

- Plans can be amended retroactively so long as it is to improve the benefit formula.

In-Service Distributions (Optional, typically N/A to Defined Benefit)

- Hardship distributions do not waive the 10% penalty but they are by far the simplest to administer and have just gotten easier. Participants can be allowed to self-certify that they meet at least 1 of the 7 IRS criteria to take a Hardship without providing any documentation.
- This means no proof is necessary and the employer (if audited) will not be held liable for improper hardships if they cannot produce any evidence.

There are a variety of new in-service distributions that waive the 10% penalty if the conditions are met.
Quick shortlist: Qualified Birth or Adoption, Emergency Distribution, Domestic Abuse, Terminal Illness, Disaster Hardship
Some of them also allow for lump-sum repayment within 3 years.
All of them are optional features and we do not suggest any of them until somebody asks the Plan Sponsor for it.

Finally, there are new tax credits for employers who started a new Retirement Plan.
It is a large credit and a good summary by American Funds is on our website. https://www.larpensions.com/links-resources
The IRS page including the Form 8881 to claim: https://www.irs.gov/retirement-plans/retirement-plans-startup-costs-tax-credit

It was intended for Plans effective from 1/1/2023, but it is possible that it may be claimed by Plans that started in 2022 or 2021.
There is little guidance about whether companies that started a Plan before 2023 may take it and we are not tax advisors.
If you believe you may be eligible for these tax credits, please ask your accountant about them.