Sweeping changes for retirement plans were signed into law on December 29, 2022 as part of the Consolidated Appropriations Act. Specifically, "Division T" is known as "SECURE 2.0" and it builds upon the foundation laid by the 2019 "Setting Every Community Up for Retirement Enhancement" Act (now referred to as "SECURE 1.0"). SECURE 2.0 contains 92 provisions, which can be viewed as almost universally good, with "good" being defined as "helpful to the cause of promoting retirement security." Many of its provisions are effective immediately (i.e., 1/1/23 or before), so now is a good time for employers to begin familiarizing themselves with the new rules.

The summary charts below describe SECURE 2.0's key provisions. If you have any questions, or if you would like more information, please contact us at 618-288-9505.

Top 10 Highest-Impact Provisions

No.	Sec.	Summary
1	102	Significant expansion of tax credits for plan startup costs
2	111	Startup credits can be used for Multiple Employer Plans, including Pooled Employer Plans
3	121	"Starter 401(k)" or 403(b)—a simple, deferral-only safe harbor design
4	101	Mandatory auto-enrollment and auto-escalation for new plans
5	103	"Saver's match" deposited by Treasury into workers' accounts
6	106	403(b) pooled employer plans (PEPs)
7	127, 115	Emergency savings "sidecar" accounts and penalty-free withdrawals
8	110	Student loan matching without hurting nondiscrimination testing
9	604	Employees may opt for Roth treatment of employer match and nonelective contributions
10	Various	A long list of simplifiers for things like notices, top heavy, and corrections

Top 5 New Burdens

No.	Sec.	Summary
1	All	Massive systems updates while the industry is still catching up w/ SECURE 1.0 changes
2	125	Long-term, part-time employees eligible for deferrals in two (vs. three) years
3	127	Sidecar emergency savings accounts are great but a heavy lift to build
4	603	Catch-up contributions must be Roth if income is above $145,000
5	338	One participant statement per year must be paper

Chart Summarizing SECURE 2.0 Provisions

The goal of the chart is a concise summary of most provisions of interest to plan sponsors. For more details see the summary prepared by Congress, or the actual text of the Act (starting on page 2046).

Sec.	Description	Summary
101	Expanding auto-enroll	Automatic enrollment of new hires is mandatory for new plans at a 3-10% rate, which must be automatically escalated annually by 1% to a maximum of at least 10% but no more than 15%. For employers with 11+ employees in business for 3+ years. Existing plans are grandfathered. Starting 2025.
102	Startup cost tax credit increase and new per participant credit for	Effective for 2023, the tax credit for starting a new plan goes from 50% to 100% per year for 3 years, max $5,000/year, for employers with 50 or fewer employees (50% to $5,000/year for 51-100 employees).[1] There is an additional credit of a set percentage for employer contributions to employees up to $1,000 per employee

[1] Previously, the annual credit was available for employers with fewer than 100 employees, for up to three years, equal to the lesser of: i) 50 percent of the administrative costs of establishing the plan; or ii) $5,000.

Sec.	Description	Summary
	employer contributions to employees	with wages of $100,000 or less, as indexed (phasing out for employers with 51 - 100 employees).[2]
103	Saver's Match	The nonrefundable credit for contributions to Individual Retirement Accounts (IRAs), employer retirement plans, and ABLE[3] accounts is replaced by a federal matching contribution deposited into the taxpayer's plan by the Treasury, up to $2,000. The match phases out at certain income thresholds. Effective 12/31/26.
106	403(b) MEPs	403(b) multiple employer plans (MEPs), including the new pooled employer plans (PEPs) created by SECURE 1.0, are affirmatively permitted beginning after 12/31/22 (i.e., immediately). This provision creates a significant new retirement plan alternative for not-for-profit employers.
107	RMD age increase	Required Minimum Distribution age is increased to age 73 starting on 1/1/23, and age 75 starting on 1/1/33.
108	Indexing IRA catch-up limit	IRA catch-up limit for those age 50 and older is inflation-indexed after 12/31/23.
109	Higher catch-up limit at ages 60-63	Effective for tax years beginning after 12/31/24, catch-up contributions increase to $10,000 (possibly more under inflation indexing) for participants aged 60-63 (i.e., attained age for the entire tax year is at least 60 and not yet 64).
110	Matching student loan payments	There has been significant interest among employers in offering matching contributions for student loan payments as a tool for attracting and retaining younger workers. Under this provision, employees making "qualified student loan payments" can have those payments matched in the retirement plan without hurting the employer's nondiscrimination testing starting in 2024.
111	Credit for small employers joining MEPs	Employers get the startup credit when joining a MEP, not just when starting their own plan. There was some doubt about this under SECURE 1.0.
112	Small employer military spouse credit	Small employers who provide faster eligibility and vesting for employees whose spouses are in the uniformed services (since such spouses may move frequently and often miss out on contributions) can get a small tax credit (up to $500). Begins 2023.
113	Incentives for contributing	Employers may offer de minimis financial incentives, not paid from plan assets, to boost employee participation in retirement plans (e.g., low-dollar gift cards). Begins 2023.
115	No penalty for emergency withdrawals	The additional 10% tax applied to early distributions is waived for unforeseeable personal or family emergency expenses. One distribution of up to $1,000 per year with the option to repay within 3 years. Begins 2024.
116	SIMPLE nonelective contributions	Employers may make additional discretionary contributions to SIMPLEs[4] of up to 10% (max $5,000, indexed). Begins 2024.
117	SIMPLE contribution limit and data collection	Annual deferral and catch-up limits to SIMPLE plans are increased by 10% starting 2024. Also, Treasury will provide a report on SIMPLE data by the end of 2024 since there is limited data about SIMPLE usage today.
118	SEP contributions for domestic workers	Employers of domestic employees (e.g., nannies) may provide benefits under a Simplified Employee Pension (SEP—a type of IRA that is funded by the employer). Begins 2023.
120	Force-out IRA auto-portability	Force-out IRAs[5] can be rolled automatically into a new employer's plan unless the participant opts out. Begins 12 months after enactment.

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[2] The set percentages are as follows: year 1 = 100%; year 2 = 75%; year 3 = 50%; year 4 = 25%; and 0% beyond.

[3] Savings accounts for individuals with disabilities created under the Stephen Beck Jr. Achieving a Better Life Experience Act of 2014 ("ABLE Act").

[4] Savings Incentive Match Plan for Employees, a simplified alternative to a 401(k) or 403(b) for small employers.

[5] Former employees with small account balances (below $5,000 historically but increasing to $7,000 in 2024) may be "forced out" of the plan into a separate IRA set up for them by the employer in accordance with Department of Labor regulations.

Sec.	Description	Summary
121	Starter 401(k) and 403(b) plans	Employers not offering a retirement plan may offer starter 401(k) or 403(b) plans (which can also be elements within a PEP or other MEP) with employees enrolled by default at a 3 to 15% deferral rate. Annual deferral contribution limit is the same as for IRA contribution limits. Begins 2024.
125	Long-term, part-time workers (LTPT)	The 3-year LTPT rule created by SECURE 1.0 (but not yet effective) is reduced to 2 years (i.e., employees working 500+ hours in 2 consecutive years must be eligible to make salary deferral contributions). LTPT rules are also extended to ERISA 403(b) plans. Begins 2025 (vs. 2024 under SECURE 1.0).
126	529 rollovers to Roth IRAs	Beneficiaries of 529 college savings accounts are permitted tax and penalty free rollovers of up to $35,000 over their lifetime from 529 accounts to ROTH IRAs under certain conditions. Begins 2024.
127	Pension-linked ("sidecar") emergency savings accounts	Employers may automatically opt non-highly compensated employees into emergency savings accounts at no more than 3% of salary with a $2,500 cap. Contributions over the limit can be directed to a Roth account or stopped. Contributions are treated as Roth elective deferrals and may be matched up to the cap. Up to 4 no-fee, no-tax withdrawals available per year. Upon separation from service, account balance may be taken as cash or rolled into a Roth plan or IRA. Begins 2024.
204	Account aggregation for RMD	Account owners are permitted to aggregate distributions from their accounts' annuity portions and regular account holdings for purposes of determining minimum distributions. Effective immediately.
302	RMD excise tax reduction	Penalty for failure to take required minimum distributions is decreased from 50% to 25% and decreased even further to 10% if the failure is corrected timely. Begins 2023.
303	Retirement savings lost and found	A national online database at Department of Labor (DOL) is created within 2 years of enactment to enable those who may have lost track of their retirement plan to search for the contact information of plan administrators.
304	Force-out limit increase	Force-out amount is increased from $5,000 to $7,000 for distributions made after 12/31/23.
305	EPCRS expansion	EPCRS[6] is expanded to allow more types of errors to be self-corrected. Effective immediately with regulatory guidance to follow within no more than 2 years.
307	IRA charitable donations	The IRA charitable distribution provision is expanded to allow for one-time $50,000 distributions to charities. Annual IRA charitable distribution limit of $100,000 is now indexed for inflation. Effective for taxable years ENDING after the date of enactment, which means the higher limits were available at the end of 2022.
310	Top-heavy test application	The top-heavy test is now permitted to test non-excludable and excludable employees separately, removing a source of surprise expenses for small businesses and paving the way for employers to allow workers to begin deferral contributions earlier. Begins 2024.
311	Qualified birth or adoption distributions repayment	The payback period for distributions made to participants under the qualified birth or adoption provision is restricted from no time limit to 3 years. Effective immediately and (to a degree) retroactively.
312	Hardship withdrawal self-certification	Participants may self-certify that they had a qualified event that constitutes the need for a hardship withdrawal, thereby simplifying the process for hardship withdrawals. Begins 2023.
314	Penalty-free withdrawal for cases of domestic abuse	Domestic abuse survivors may withdraw the lesser of $10,000 (indexed for inflation) or 50% of their account. Distributions made under this rule are not subject to the early withdrawal penalty and can be repaid to the account over 3 years with a refund for taxes paid on that money. Begins 2024.

[6] Employee Plans Compliance Resolution System, the IRS program for plan corrections.

Sec.	Description	Summary
315	Family attribution rule reform	Stock attribution rules are updated to address inequities between spouses living in separate property states vs. community property states. Also, the attribution of stock between parents and minor children is modified to remove the circumstance in which totally unrelated businesses of parents are treated as having a single plan. Begins 2024.
316	Amendment deadline change	Discretionary plan amendments that increase participants' benefits are permitted to be adopted by the due date of the employer's tax return. Begins 2024.
320	Unnecessary notices	Employers are no longer required to provide certain intermittent ERISA or Code notices to unenrolled participants provided they send an annual reminder notice of the employee's eligibility and any otherwise required documents requested by the employee. Begins 2023.
325	Roth plan distribution rules	The pre-death distribution requirement for Roth accounts in employer plans is eliminated beginning after 12/31/23.
326	Early distribution rules when terminally ill	Early distributions to terminally ill individuals will be exempt from the additional 10% tax. Begins immediately.
327	Surviving spouse election	Surviving spouses may elect to be treated as the deceased employee for required minimum distribution purposes. Begins 2024.
331	Qualified federally declared disaster distributions	Standardized rules for disaster relief so that Congress no longer needs to pass special relief for every disaster. Up to $22,000 may be distributed from employer retirement plans or IRAs without the additional 10% tax, can be accounted for as gross income over 3 years, and may be paid back to the plan. Amounts distributed prior to the disaster to purchase a home can be recontributed. Employers may permit larger amounts to be borrowed by affected individuals and for additional time of repayment. Effective for disasters beginning after 1/26/21.
332	SIMPLE change to safe harbor 401(k)	Employers are permitted to replace SIMPLE IRA plans with safe harbor 401(k) plans during a plan year. Begins 2024.
334	Long-term care contract payments	Distributions up to $2,500/year for the payment of premiums for certain long-term care insurance contracts are exempt from the 10% early distribution tax. Begins 3 years after enactment.
335	Mortality table correction	The Treasury Secretary shall amend the regulation affecting minimum funding rules for pension plans to reflect plans are not required to assume mortality improvements at any age greater than 0.78%. Effective immediately with regulations required within 18 months.
337	Special needs trust RMDs	Special needs trusts established for beneficiaries with disabilities may provide for a charitable organization as the remainder beneficiary. Begins 2023.
338	Paper statement requirement	DC plans must provide one paper statement per year and DB plans must provide a paper statement once every 3 years. Begins 2026.
339	Tribal court QDROs	Tribal courts are now authorized under federal law to issue qualified domestic relations orders.
345	Group of Plans (GoP) annual audits	Participating employers with fewer than 100 employees and within a GoP are not required to submit an audit opinion.
346	WORK Act	New funds authorized to be appropriated for employee ownership program grants under the WORK Act for fiscal years 2025 to 2029.
348	Cash balance interest crediting rate rule	Clarification of the Code and ERISA rules prohibiting backloading of benefit accruals to allow plan sponsors to provide larger pay credits for older, longer service workers, specifically that the interest rate is a reasonable projection of the variable interest rate and subject to a maximum 6%. Begins 2023.
349	Variable rate premium indexing termination	The PBGC variable rate premium for DB plans, which has been increasing in recent years, is locked in to a flat $52 for each $1,000 of unfunded vested benefits.
350	Safe harbor for deferral failure corrections	Employers may correct, without penalty, reasonable errors in administering automatic enrollment and automatic escalation provided the corrections are made

Sec.	Description	Summary
		prior to 9½ months after the end of the plan year in which the mistakes were made. Begins 2024.
501	Plan amendment provisions	Plan amendments made pursuant to this Act may be made on or before the last day of the first plan year beginning on or after 1/1/25 (2027 for governmental plans). In addition, amendments under SECURE Act, CARES Act, and Taxpayer Certainty and Disaster Tax Relief Act of 2020 conform to these new dates.
601	SIMPLE and SEP Roth IRAs	SIMPLE IRAs are now allowed to accept Roth contributions and SEPs may now accept employee/employer Roth contributions. Begins 2023.
602	403(b) hardship withdrawal rules	403(b) hardship withdrawal rules now conform to 401(k) rules beginning after 12/31/23.
603	Roth tax treatment for catch-up	Effective for years beginning after 12/31/23, all catch-up contributions are subject to Roth tax treatment except for those employees with compensation of $145,000 or less (indexed).
604	Roth tax treatment for employer contributions	Plans are permitted to allow employees to elect whether employer matching or nonelective contributions will be made on a Roth vs. pretax basis. Begins immediately.