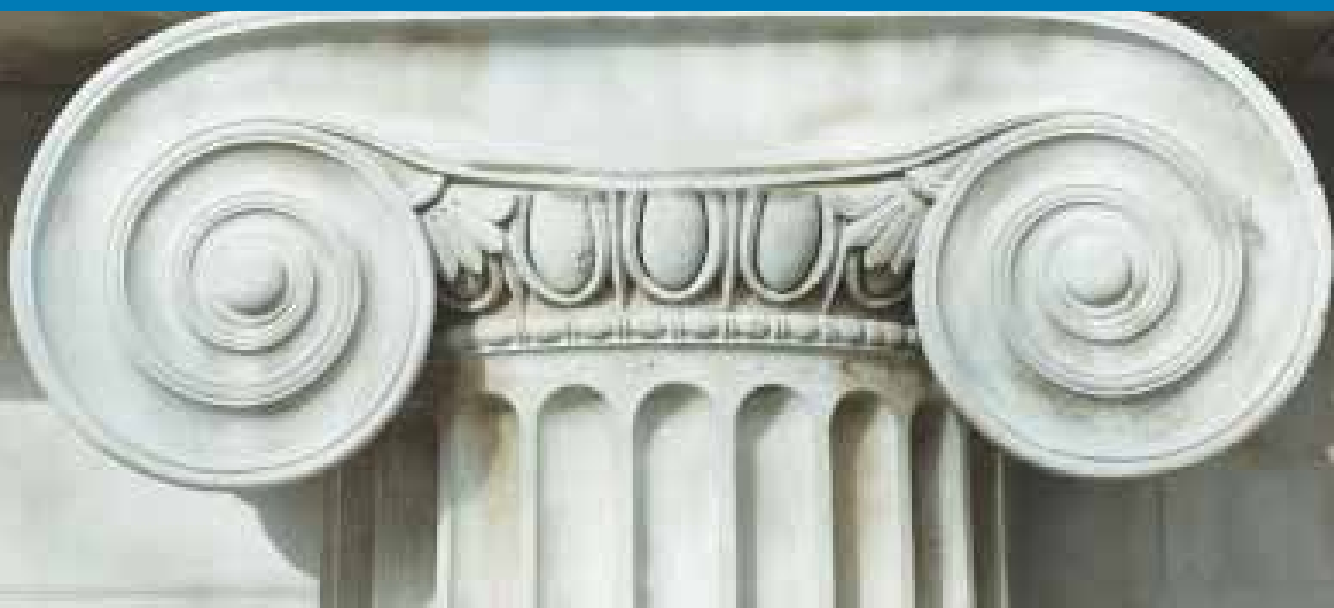


PENTEGRA TECH TIPS



SECURE 2.0

SECURE 2.0 Optional Changes

Section 110 Treatment of Student Loan Payments as Elective Deferrals for Matching Contributions 401(k), 403(b), 457(b) Governmental, and SIMPLE IRA plans

Qualified student loan payments may be treated as elective deferrals and qualify for employer matching contributions. Plans subject to Actual Deferral Percentage testing may separately test employees who receive matching contributions based on student loan repayments. This provision is effective for plan years beginning after December 31, 2023.

Section 115 Withdrawals for Certain Emergency Expenses

The 10% excise tax applicable to early distributions from retirement plans will be waived for withdrawals for unforeseeable emergency expenses. This will apply to one distribution of up to \$1,000 annually. Participants will also have the option to repay the distribution within three years. Only one distribution per three-year repayment period is permitted if a distribution has not been fully repaid. This provision is effective for distributions made after December 31, 2023.

Section 127 Emergency Savings Accounts

Employers may automatically enroll Non-Highly Compensated Employees into emergency savings accounts linked to their retirement plan account to make after-tax Roth contributions up to 3% of salary with a \$2,500 maximum (indexed). This provision is effective for plan years beginning after December 31, 2023.

Section 304 Increase in Dollar Limit for Mandatory Plan Distributions

This provision increases the mandatory plan distribution threshold from \$5,000 to \$7,000. Balances under \$7,000 can be rolled over to an IRA without participant consent. (The \$1,000 threshold to cash out participants is unchanged.) This is effective for distributions made after 12/31/2023.

Section 312 Employee Certification of Hardship Distribution Conditions

Participants may self-certify that they have met the qualifications for a hardship withdrawal. This significantly lessens the administrative burden for plan sponsors. This provision is effective for plan years beginning after the date of enactment of SECURE 2.0.

Section 314 Penalty-Free Withdrawal from Retirement Plans For Individual Case of Domestic Abuse

Permits participants who self-certify they experienced domestic abuse to withdraw the lesser of \$10,000 (indexed) or 50% of their retirement plans. The distribution is not subject to the 10% tax on early distributions. A participant may repay the withdrawn money from the retirement plan over 3 years and will be refunded for income taxes on money that is repaid. This provision is effective for distributions made after 12/31/2023.

Section 326 Exception to Penalty On Early Distributions From Qualified Plans For Individuals With A Terminal Illness

Provides an exception to the early distribution penalty tax in the case of a distribution to a terminally ill individual. This provision is effective for distributions made after 12/29/2022.

Section 331 Special Rules for Qualified Disaster Recovery Distributions (QDRDs)

Allows individuals affected by a qualified federal disaster to withdraw up to \$22,000 from employer retirement plans or IRAs as a QDRD. QDRDs are not subject to the 10% early withdrawal penalty tax, are counted as gross income over 3 years and can be repaid to a tax preferred retirement account. Amounts distributed prior to the disaster to purchase a home can be recontributed, and an employer is permitted to provide for a larger amount to be borrowed from a plan by affected individuals and for additional time for repayment of plan loans owed by affected individuals. This provision is effective for disasters occurring on or after 1/26/2021.

Section 604 Option to Treat Employer Contributions as Roth

Defined Contribution plans may give participants the option to receive employer contributions on a Roth basis. This provision is effective 12/29/2022.

SECURE 2.0 Mandatory Changes

Section 107 Increase in Age for Required Minimum Distributions

The Required Minimum Distribution age has been increased to age 73 beginning in January 1, 2023 and age 75 starting on January 1, 2033.

Section 109 Higher Catch-Up Limits for Age 60, 61, 62 and 63 (Non-SIMPLE Plans)

Catch-up contributions limits have increased for participants ages 60 - 63 to the greater of (i) \$10,000, or (ii) 150% of the regular 2024 catch-up amount, indexed for inflation. This provision is effective for tax years beginning after December 31, 2024.

Section 125 Expanded Coverage for Long-Term Part-Time Workers

Employees who work 500 or more hours per year for two consecutive years must be eligible to participate in a retirement plan. SECURE 2.0 also extends these rules to 403(b) plans. This provision is effective for plan years beginning after December 31, 2024.

Section 311 Repayment of qualified birth or adoption distribution limited to 3 years.

This provision allows for repayment of Qualified Birth and Adoption Distributions (QBADs) within 3 years (the Plan must first allow QBADs, which the first SECURE Act provided for).

Section 325 Elimination of Required Minimum Distributions (RMDs) from designated Roth Accounts

This provision no longer requires Required Minimum Distributions (RMDs) from Roth 401(k) balances. This is effective for taxable years beginning after 12/31/2023. This does not apply to distributions which are required for years beginning before 1/1/2024 but are permitted to be paid on or after such date.

Section 603 Required Roth Catch-Up Contributions

All catch-up contributions to qualified retirement plans must be Roth, except for employees with compensation of \$145,000 or less (indexed). This provision is effective for taxable years beginning after 12/31/2025.

As a reminder, plans need to operate in accordance with the CARES Act, SECURE Act and SECURE 2.0 (collectively, “New Law”) and may implement optional provisions contained in the New Law, but do not generally need a formal plan amendment at this time. Since many of the provisions in the New Law are optional, plan sponsors need to communicate their intention to implement any of the optional provisions to Pentegra and their recordkeeper.

Please also note, the Notice generally provides for a one-year extended deadline for plan amendments (both required and discretionary) to reflect the various legislative changes (including the CARES Act, SECURE Act, and the SECURE 2.0) until December 31, 2026.

For more information, contact the
Pentegra Solutions Center at solutions@pentegra.com or 855-549-6689
for expert guidance on how to make the most of the new rules.

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