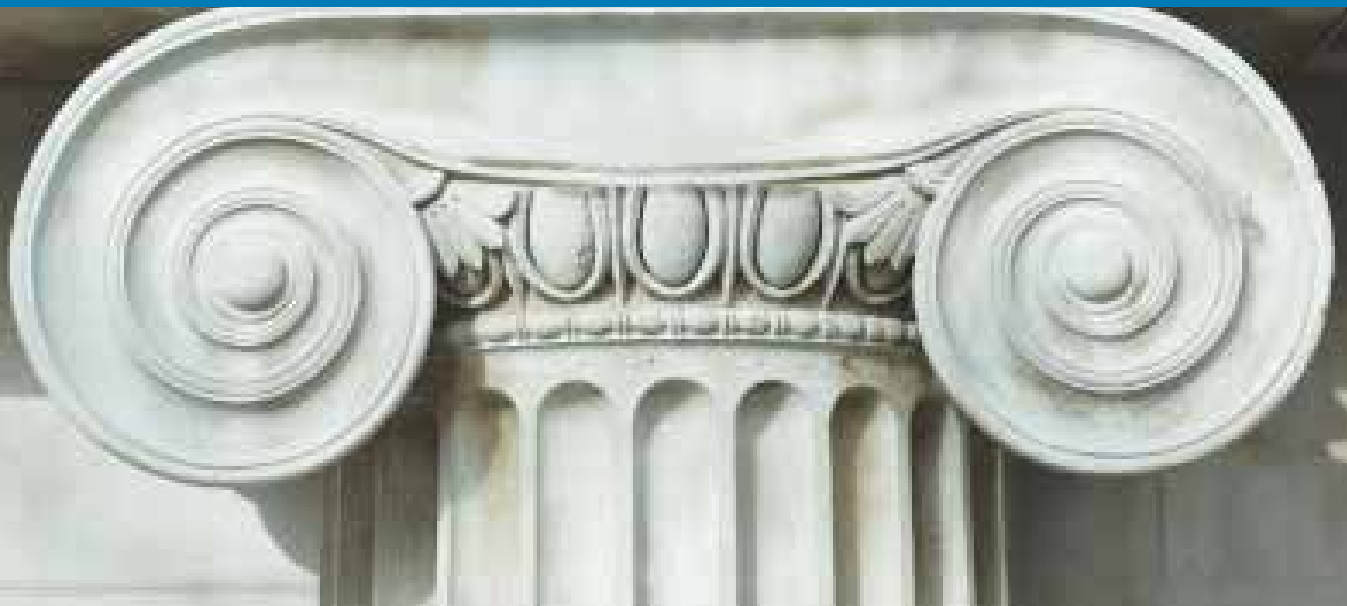


# PENTEGRA TECH TIPS



## SECURE 2.0 Update

### Section 109

#### Increased Limits for Catch-Up Contributions for Participants Ages 60-63

Section 109 of the SECURE 2.0 Act of 2022 increases the catch-up limit for individuals who are age 60, 61, 62, and 63, to the greater of \$10,000 or 150% of the regular Catch Up Contribution Limit, adjusted for inflation. This becomes effective 1/1/2025. The limit is only increased for these specific ages.

#### If a plan already has an Age 50 Catch Up, is this required and, if so, will Pentegra automatically apply this those plans?

This provision appears to be optional and therefore would be a plan design consideration for the Plan Sponsor.

#### Is a plan required to permit the additional catch-up limit?

Some plans that permit catch-up contributions may want to delay the implementation of this provision to provide more time for systems and procedures to be updated. We believe the additional catch-up limit is optional and hope the IRS provides clarifying guidance.

The concern of some practitioners is that if a plan permits catch-up contributions, but doesn't permit additional catch-up contributions, then the plan would fail to satisfy IRC §414(v) (and Treasury Regulation §1.414(v)-1(e)(1)), which imposes a universal availability requirement on the ability to make catch-up contributions. We believe the universal availability requirement is that all participants have the opportunity to make the same dollar amount of catch-up contributions. Therefore, we believe a plan sponsor could elect to offer the regular age-50 catch-up, but not the increased age 60-63 catch-up as long as this is applied consistently to all eligible participants.

### **Will this require an amendment?**

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 note, Notice 2024-02 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.

### **Are there any notice requirements for compliance with this new rule?**

If a plan has operationalized provisions, the Plan Administrator should alert the participants of the change(s) as a best practice.

### **Are there any payroll implications that we or the client need to consider to appropriately administer this?**

We expect the IRS to eventually issue additional guidance to further clarify this provision. We will keep clients posted on any updates. In the interim, please contact your Account Manager with any questions you may have at \_\_\_\_\_.