SECURE 2.0 OVERVIEW

The SECURE 2.0 Act of 2022 (SECURE 2.0) was signed into law in December 2022 with the intent to enhance the American retirement system by making it easier for Americans to participate in and benefit from their employer's retirement plan in various ways, along with easing some of the administrative burdens for employers.

SECURE 2.0 has many provisions that may impact your retirement plan. Many of the provisions are already effective and a few have effective dates over the next few years. Many of the new rules involved or will involve significant recordkeeping system updates and/or additional guidance from the Internal Revenue Service and Department of Labor.

Below is a high-level explanation of some of the items that may impact your retirement plan listed by effective date. Many of these provisions are optional and are subject to plan sponsor choice. Some of the provisions have already been implemented administratively and in the recordkeeping system and others are in various stages of completion. We will continue to inform you of any additional guidance provided as well as updates to the recordkeeping systems and administrative procedures.

Provision	Explanation of Provision Effective Date of Provision/Comments
Permanent rules governing federally declared disaster areas	The new rules allow for penalty-free distributions of up to $22,000 to plan participants who are impacted by federally declared disasters, and participants can recontribute the distributed amounts within three years. Plans may also increase loan limits to the lesser of (1) $100,000 or (2) the greater of $10,000 or 100% of the present value of the participant's nonforfeitable accrued benefit and extend repayments by one year. ***Already effective.*** Original effective date: For any disasters after January 26, 2021
Hardship distribution self-certification	Employers can now rely on an employee self-certification that they have had a safe harbor event that constitutes a deemed hardship for purposes of taking a hardship distribution. ***Already effective.*** Original effective date: December 29, 2022
Repayment of Qualified Birth or Adoption Distributions (QBADs)	Repayment period for QBADs limited to three years ***Already effective.*** Original effective date: For QBADs made after December 29, 2022. For prior distributions, the repayment period ends December 31, 2025.
Exception for early withdrawal penalty for terminal illness	A new exception to the early withdrawal penalty is added for distributions made to certain terminal ill participants. ***Already effective.*** Original effective date: For distributions beginning December 29, 2022
Treatment of employer matching and nonelective contributions as Roth contributions	Employers can choose to provide participants the option to receive any matching or nonelective contribution on a Roth basis. Such Roth contributions must be 100% vested when made.

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	Effective for contributions made after December 29, 2022. While technically already effective, payroll and recordkeeping system changes are in the process of being updated to accommodate this provision. The actual implementation date is to be determined.
Eliminated unnecessary disclosures for unenrolled participants	Employers are longer required to provide disclosures and notices that are otherwise required to be provided to unenrolled participants who have elected not to participate in an employer's retirement plan, if certain conditions are satisfied. **Already effective.** Original effective date: Plan years beginning after December 31, 2022
Increase in age for required beginning date for mandatory required distributions and reduction in excise tax for amounts not distributed by deadline.	Increases the RMD age to: (i) 73 for a person who attains age 72 after December 31, 2022 and age 73 before January 1, 2033, and (ii) 75 for an individual who attains age 74 after December 31, 2032. The excise tax for failure to take an RMD amount in a timely manner is reduced from 50% to 25% of the required amount with a further reduction to 10% if timely corrected. ***Already effective.*** Original effective date: RMD age change is effective for distributions made after December 31, 2022, for individuals who attain age 72 after that date and excise tax changes are effective for taxable years beginning after December 29, 2022.
Small, immediate financial incentives for contributing to plan	Employers are permitted to offer small financial incentives (not paid for with plan assets) to encourage 401k plan participation, e.g. low-dollar gift cards. ***Already effective.*** Original effective date: Plan years beginning after December 31, 2022

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Treatment of student loan payments as 401(k) contributions for purposes of matching contributions	Participants making qualified student loan payments can have those payments matched in the retirement plan without negatively impacting nondiscrimination testing. ***Already effective.*** Original effective date: Plan years after December 31, 2023
Withdrawal for certain emergency expenses	Employers may allow for one unforeseeable personal or family emergency withdrawal of up to $1,000 per year with the option to repay within three years. Also, the distribution would not be subject to early withdrawal penalty. ***Already effective.*** Original effective date: Distributions after December 31, 2023
Allow additional nonelective contributions to SIMPLE plans	Employers may make additional contributions to each employee of the plan in a uniform manner, provided that the contribution does not exceed 10% of compensation (max $5,000, indexed) ***Already effective.*** Original effective date: Taxable years after December 31, 2023
Contribution Limit for SIMPLE plans	Annual deferral and catch-up limits are increased to 110% of the 2024 and forward SIMPLE plan limits in the case of an employer with no more than 25 employees. An employer with 26 to 100 employees would be permitted to provide these higher limits but only if the employer provides either a 4% matching contribution or a 3% employer contribution. ***Already effective.*** Original effective date: Taxable years after December 31, 2023
Increase Dollar Amount for Mandatory Distributions (Force-Outs)	increased the force out dollar amount from $5,000 to $7,000. This also applies to cash-outs for plans subject to spousal consent rules.

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	Already effective. Original effective date: Distributions after December 31, 2023
Application of top-heavy rules to plans covering excludable employees	Plans are allowed to test excludable employees versus nonexcludable employees for top-heavy testing purposes. May allow plans with less restrictive eligibility conditions to avoid being a top-heavy plan (minimum contribution requirement). ***Already effective.*** Original effective date: Plan years after December 31, 2023
Domestic Abuse Withdrawals from qualified plans	Plans may allow domestic abuse victims to withdraw the lesser of $10,000 (indexed for inflation) or 50% of their account. Such distributions are not subject to early withdrawal penalty and can repaid over three years. ***Already effective.*** Original effective date: Distributions made after December 31, 2023
Amendments to Increase Benefit Accruals for previous plan year	Plan amendments are allowed that increase benefit accruals for participants for the previous plan year up to the employer's tax return due date (including extensions). ***Already effective.*** Original effective date: Plan years after December 31, 2023
Roth 401k plan distribution rules	Pre-death RMD amounts from Roth accounts are no longer required. Does not apply to 2023 RMD amounts that are permitted to be paid after December 31, 2023. ***Already effective.*** Original effective date: Taxable years after December 31, 2023

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Surviving Spouse to be treated as employee	Allows a spousal beneficiary to irrevocably elect to be treated as the employee for RMD purposes and if the spouse is the employee's sole designated beneficiary, the applicable distribution period after the participant's year of death is determined under the uniform life table. ***Already effective.*** Original effective date: Calendar years after December 31, 2023
Employers allowed to amend from SIMPLE plan to Safe Harbor 401(k) plan during the year	A SIMPLE IRA can be replaced with a Safe Harbor 401(k) plan at any time during the year, provided certain conditions are met. ***Already effective.*** Original effective date: Plan years after December 31, 2023
Safe harbor for correction of employee elective deferral	Allows employer to still be considered a qualified plan if it self-corrects a reasonable administrative error made in implementing automatic enrollment, automatic escalation or failing to offer an affirmative election due to the employee's improper exclusion from the plans within 9 ½ months of the end of the year in which the error occurred (or date on which employee notifies the plan sponsor of the error, if earlier) and meets other conditions. ***Already effective.*** Original effective date: For any errors with respect to which the date that is 9½ months after the end of the plan year during which the error occurred is after December 31, 2023.
Catch-up contributions must be made to a designated Roth account except for participants with prior year compensation of not more than $145,000.	Participants who had prior year compensation of $145,000 or less can choose to make catch-up contributions on pre-tax or Roth basis. ***Taxable years after December 31, 2023.*** *IRS NOTICE 2023-62 PROVIDES Two-Year Administrative Relief for this provision until 1-1-2026. Additional clarity was provided in REG-101268-24 including:*

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	• *Sole proprietors and partners (not subject to FICA taxes) are not subject to this provision,* • *If a plan automatically implements catch-up contributions once the Code section 402(g) limit is reached (often called a "spillover" election), an election to make catch-up contributions on a pre-tax basis can be treated as an election to make catch-up contributions as Roth for High Earners, eliminating an administrative complication,* • *If a plan does not have the Roth provision, then catch-up contributions are not permitted for participants subject to this provision, and* • *Defined correction methods for amounts made to a pre-tax account for participants impacted by this provision.*
Higher Catch-up contribution limit to apply to participants ages 60-63, inclusive.	Non-SIMPLE plans – Increases catch-amounts for participants ages 60-63 up to the greater of $10,000 or 150% of the regular catch-up limit for 2024, indexed for inflation. SIMPLE plans – Increases catch-amounts for participants ages 60-63 up to the greater of $5,000 or 150% of the regular SIMPLE catch-up limit for 2025, indexed for inflation. ***Already effective.*** Original effective date: Taxable years after December 31, 2024
Improving retirement plan access for part-time workers	Reduced the number of years that a long-term part-time employee has to work from three years to two years to be eligible to make 401(k) contributions to a retirement plan. SECURE 1.0 required that employees working at least 500 or more hours per year in 3 consecutive years must be eligible to make 401(k) contributions. This was effective with plan years beginning in 2021 with the first year of eligibility being plan years beginning in 2024. ***Already effective***. Original effective date: Change to two years effective for plan years beginning after December 31, 2024. The three-year rule is still in effect and employees

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	(who already are not participants in your plan) who had three consecutive years of 500 or more hours in 2021, 2022 and 2023 must be given the opportunity to make 401(k) contributions to the plan beginning in 2024. IRS Guidance on long-term part-time eligibility and vesting rules is expected this year.
Emergency savings accounts linked to individual account plans	Permits employers to amend its plan to offer short-term emergency savings accounts. These accounts must be funded with Roth contributions and participants may be automatically enrolled at a rate of up to 3% of compensation. Contributions are capped at $2,500 (indexed for inflation). Participants must be allowed to take at least one withdrawal per month and the first four withdrawals cannot be subject to fees. Assets in these accounts must be invested in cash, interest bearing accounts and principal preservation accounts. ***Already effective.*** Original effective date: Plan years after December 31, 2023
Saver's Match	Modifies existing nonrefundable credit for contributions made to retirement plans to a federal matching contribution deposited into the retirement plan by the Treasury up to $2,000. The match phases out at certain income thresholds. Further guidance will certainly be required on this provision. ***Tax years beginning after December 31, 2026***

GE-75866166.1 (1/25)(Exp. 1/29)