



# SECURE 2.0 implementation update

**Julie Klassen, ChFC, REBC, RICP, CLU**

Senior Relationship Manager, Government Markets

# Agenda

- Commitment
- Roadmap
- Implementation updates

# Empower's SECURE 2.0 commitment



Empower remains focused on implementing SECURE 2.0 Act provisions, ultimately helping to **drive increased retirement savings** for Americans and **reduce administrative burden** for plan sponsors.

We commit to a **timely, transparent rollout** that assists plan sponsors in their fiduciary capacity by making it as **easy** as possible to comply with the requirements.

# SECURE 2.0 Roadmap



Available now

## New product offerings

- ✓ Student loan retirement match
- ✓ 403(b) PEP

## Enrollment and contribution enhancements

- ✓ Elimination of first-day-of-the-month rule for governmental 457(b) plans

## Other

- ✓ Recovery of overpayments
- ✓ Expansion of Employee Plans Compliance Resolution System (EPCRS)
- ✓ Annual eligibility notice and elimination of annual notices package for eligible-not-participating participants
- ✓ Updated 402(f) rollover distribution notice (2023 updates)\*

## Distribution and withdrawal flexibility

- ✓ Required minimum distributions (RMDs)
  - ✓ Age increase to 73\*
  - ✓ Spousal beneficiary\*
  - ✓ Roth RMD requirement\*
  - ✓ RMDs for special needs trust\*
  - ✓ Reduced excise tax\*
- ✓ Qualified birth and adoption 3-year repayment\*
- ✓ 10% penalty tax waiver for certain state and local correction employees and public safety/military corrections officers
- ✓ Age 50 parity for private firefighters and emergency personnel
- ✓ Recognition of tribal government domestic relations orders
- ✓ Force-out increase from \$5K to \$7K
- ✓ 457(b) de minimis distributions\*\*
- ✓ Domestic abuse distributions

\* Mandatory provision

\*\* Not a specific SECURE 2.0 provision, but the 457(b) code references the cashout limit.

# SECURE 2.0 roadmap



2024

## Distribution enhancements

- Terminally ill distributions (9/10/24)
- 403(b) hardship distributions (9/10/24)
- Public safety officer's distribution to pay healthcare premiums (9/10/24)\*\*
- Federal disaster distributions (10/15/24)

## Notices and statements

- Updated 402(f) rollover distribution notice\* (still waiting on guidance)



2025

## New product offerings

- Auto-portability: small balances (1/1/25)
- Plan-linked emergency savings

## Enrollment and contributions

- Match and/or nonelective contributions as Roth Q1 2025
- Higher catch-up for ages 60-63 (1/1/25)\*\*
- Long-term part-time – 2-year rule (1/1/25)\*
- Long-term part-time for ERISA 403(b) plans (1/1/25)\*
- Auto-enrollment and auto-escalation for new plans effective 12/29/22 or later (1/1/25)\*

## Distribution enhancements

- Self-certification of hardship distributions (early 2025)
- Federal disaster loans and extended repayment period (late 2025/early 2026)



2026+

## Distribution enhancements

- Long-term care distributions

## Enrollment and contributions

- Roth catch-up (1/1/26)\*

## Notices and statements

- Paper statement (plan years starting 1/1/26)\*

\* Mandatory provision.

\*\* Standard is to allow this provision. No election required.

As of July 1, 2024. Dates are target dates and may shift.

Some features may not be available and are subject to change without notice.

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# SECURE 2.0 provisions

Provision	Section	Implementation date	Action required
403(b) hardship distribution expansion	602	September 10 or first day of 2024 plan year, if later than September 10	Sponsor opt-in by August 9
Terminal illness penalty tax exception	326	September 10	Sponsor opt-in by August 9
Public safety officers' health insurance premiums	328	September 10	No election required; choice will appear on forms September 10
Qualified disaster recovery distributions	331	October 15	Sponsor opt-in by August 9
Increased catch-up limit for ages 60-63	109	January 1, 2025	No plan election required; automatically applied to plans that offer age 50 catch-up contributions
Add Roth to prepare for Roth catch-up	603	January 7, 2025	Sponsor opt-in (Add Roth) by August 9

Continued communication and implementation of SECURE provisions to help drive retirement savings and reduce administrative burden



# SECURE 2.0 provisions

Available now

Provision	Section	Implementation date	Action required
Student loan retirement match	110	Available now	Optional; to add, contact your TPA or Empower relationship manager
Required minimum distributions	107, 325, 327	Mandatory; available now	No action required
Elimination of first-day-of-the-month rule for governmental 457(b) plans	306	Available now	Optional; to remove first-day rule, contact your TPA or Empower relationship manager
3-year repayment for qualified birth or adoption distributions	311	Mandatory; available now	For plans who allow qualified birth or adoption distributions, Empower has implemented repayment timing
Elimination of notices for eligible-not-participating employees	320	Available now	No action required

# SECURE 2.0 provisions

Available now

Provision	Section	Implementation date	Action required
Increased force-out to \$7K	304	Available now	Optional; to add, contact your TPA or Empower relationship manager
Age 50 parity for private firefighters and emergency personnel	308, 309	Available now	No action required
Domestic abuse distributions	314	Available now	Optional; to add, contact your TPA or Empower relationship manager
10% penalty tax waiver for certain state and local correction employees and public safety and military corrections officers	329, 330	Available now	No action required
Recognition of tribal government domestic relations orders	339	Available now	No action required



# Adoption of optional provisions

Provision	Implementation date	Adoption rate
<b>Elimination of notices for eligible-not-enrolled employees</b> (Section 320)	November 2023	<b>100%</b>
<b>Remove first-day rule</b> (Section 306) for governmental 457(b) plans	December 2023	<b>30%</b>
<b>Student loan match</b> (Section 110)	January 2024	<b>&lt;1%</b>
<b>Increase in cash-out threshold</b> (Section 304)	April 2024	<b>Negative consent = 96%</b> (4% opted out) <b>Affirmative consent = 26%</b> (opted in)
<b>Domestic abuse distributions</b> (Section 314)	May 2024	<b>9.3%</b>
<b>Terminal illness penalty tax exception</b> (Section 326)	September 2024	<b>&lt;1%*</b>
<b>403(b) hardship distribution expansion</b> (Section 602)	September 2024	<b>&lt;1%*</b>
<b>Qualified disaster recovery distributions</b> (Section 331)	October 2024	<b>&lt;1%*</b>

\* Initial plan election deadline is 8/9/2024

As of 6/26/2024.

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As initial deadline draws near, adoption rates will increase for:

- **Terminal illness penalty tax exception.**
- **Qualified disaster recovery distributions.**
- **403(b) hardship distribution expansion.**

Plans that want to adopt optional provisions after initial deadline may contact their Empower representative.

# Mandatory Roth catch-up

SECURE 2.0 Section 603 (for 401(k), 403(b), and governmental 457(b) plans that offer age 50 catch-up contributions)

## What is it?

- Effective January 1, 2026, employees in plans that allow for catch-up contributions who made over \$145,000 in FICA compensation in the prior year must make any catch-up contributions as Roth.
- If your plan currently does not offer Roth, you will need to add a Roth source before January 1, 2026, or remove your catch-up provision.

## Don't wait, add a Roth source now

- Add Roth early, don't wait until January 1, 2026.



**Mandatory  
provision**



**Review  
communication**



**Plan  
amendment  
required**



**Update payroll  
to add Roth source**

# Cash-out threshold

SECURE 2.0 Section 304 (optional for 401(a), 401(k), 403(b), and governmental 457(b) plans)

## What is it?

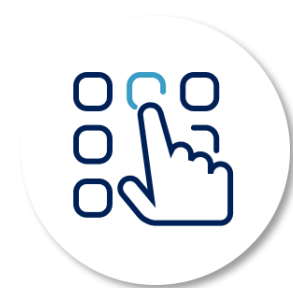
- Plans may raise the maximum dollar limit for mandatory cash-out distributions to terminated participants from \$5,000 to \$7,000.

## How it works

- For plans that use Empower's automated mandatory distribution service, any terminated participant with a balance under \$7,000 will receive a notification and, if they do not otherwise take their balance, their balance will automatically be rolled over to a small-balance IRA.

## Availability

- Increase is available now.



**Make an  
election to  
add**



**Plan  
amendment  
required**

# 457(b) de minimis distributions

## What is it?

- As a result of the change in the mandatory cash-out threshold from \$5,000 to \$7,000, the threshold for 457(b) de minimis distributions threshold was also increased to \$7,000.

## How it works

- For distributions made after March 31, 2024, the 457(b) de minimis distribution threshold was automatically increased to \$7,000 for all applicable 457(b) plans. This change applies regardless of a plan's cash-out threshold.

## Availability

- For distributions made after March 31, 2024, the 457(b) de minimis distribution threshold was automatically increased to \$7,000 for all applicable 457(b) plans. This change applies regardless of a plan's cash-out threshold.



**Empower  
standard**



**Plan  
amendment  
required**

# Qualified joint and survivor annuity/spousal consent thresholds

## What is it?

- Qualified joint and survivor annuity (QJSA) and/or spousal consent thresholds for distributions were automatically increased from \$5,000 to \$7,000 for distributions.
- Provides for streamlined processing for participants with small accounts.

## Availability

- For distributions made after March 31, 2024, the QJSA and/or spousal consent thresholds were automatically increased to \$7,000 for all applicable plans. This change applies regardless of a plan's cash-out threshold.



**Empower  
standard**



**Plan  
amendment  
required**

# Domestic abuse distributions

SECURE 2.0 Section 314 (optional for 401(a) DC, 401(k), 403(a), 403(b), and governmental 457(b) plans)

## What is it?

- Allows plans to permit penalty-free withdrawals from retirement plans in case of domestic abuse.
- Domestic abuse victims have a 1-year period to take a distribution (capped at the lesser of \$10,000 or 50% of account balance on a plan-aggregation basis).
- Victim may self-certify the need. Plan sponsor may elect to approve distribution or direct Empower to process based on participant self-certification.
- Not available to plans subject to qualified or joint and survivor annuity requirements or spousal consent across all sources of the plan.

## Availability

- Available now.



**Make an  
election to  
add**



**Plan  
amendment  
required**



**Sample participant  
communication available**



# Qualified disaster recovery distributions

SECURE 2.0 Section 331 (optional for 401(a) DC, 401(k), 403(a), 403(b), and governmental 457(b) plans)

## What is it?

- Provides to up to \$22,000 to be distributed from the plan to individuals affected by a federally declared disaster. No 10% excise tax.
- Participant must be domiciled in a federally declared disaster area and have sustained an economic loss to be eligible.
- Empower will leverage a participant's address on file and the FEMA database to determine eligibility.
- Distributions must be taken within 179 days following the later of the first date of the period specified by FEMA as the period the disaster occurred or the date of the disaster declaration.
- Distributions may be repaid to a plan or an IRA that will accept the repayment within 3 years.

## Expected availability

- October 15, 2024, for distributions (An extended repayment period will be available at a later date.)



**Review  
communication**



**Make an  
election to  
add**



**Plan  
amendment  
required**



**Sample participant  
communication available**

# Student loan retirement match

SECURE 2.0 Section 110 (optional for 401(k), 403(a), 403(b), and governmental 457(b) plans)

## What is it?

- Allows employees to receive matching contributions for making “qualified student loan payments.” “Qualified student loan payments” is broadly defined to refer to qualified higher educational expenses of the employee.
- Student loan retirement match contributions may be tested separately for nondiscrimination testing purposes.
- These matching contributions must also vest under the same schedule as other matching contributions.
- The participant must certify annually regarding the loan payments that authorize the matching contribution.
- The maximum amount of qualified student loan payments matched cannot exceed the 402(g) limit (increased by catch-up contributions if applicable) reduced by any elective deferral contributions the participant may have made.
- Empower has partnered with Candidly, which can provide reporting of student loan payments for the employee.

## Availability

- Available now.



**Contact  
Empower  
to add**



**Plan  
amendment  
required**

# Terminal illness penalty tax exception

SECURE 2.0 Section 326 (optional for 401(a) DC, 401(k), 403(a), and 403(b) plans)

## What is it?

- Distributions made to participants on or after they have been certified by a physician to be terminally ill are exempt from the 10% early withdrawal penalty.
- Does not create a new distributable event under the plan. The participant must be otherwise eligible for a distribution (e.g., an in-service, hardship, or disability withdrawal). (Future legislation may create a new distributable event.)
- Individual must be certified by a physician as having an illness or physical condition that can reasonably be expected to result in death in 84 months or less after the date of the certification. Certification must be provided to plan administrator.
- Requires plan sponsor approval. May not be approved by a TPA or Empower.
- If a plan does not adopt this provision, a participant can still claim the penalty tax exception when filing their tax return.

## Expected availability

- September 2024 via form



**Review  
communication**



**Make an  
election  
to add**



**Plan  
amendment  
required**



**Sample participant  
communication available**

# 403(b) hardship distribution expansion

SECURE 2.0 Section 602 (optional for 403(b) plans)

## What is it?

- Allows 403(b) plans to permit hardship distributions of earnings on elective deferrals plus qualified nonelective contributions (QNECs) and qualified matching contributions (QMACs) and their earnings.

## Expected availability

- September 2024



**Review  
communication**



**Make an  
election  
to add**



**Plan  
amendment  
required**

# Automatic enrollment and automatic increases

SECURE 2.0 Section 101 (mandatory for new 401(k) and 403(b) plans established after December 29, 2022)

## What is it?

- Effective for plan years beginning after December 31, 2024.
- New plans established on or after December 29, 2022, must automatically enroll eligible participants at a 3% to 10% contribution rate.
- Each year the amount would increase by 1% until it reaches 10% (may go up to 15%).
- The following are excluded: Small businesses with 10 or fewer employees, new businesses in business less than 3 years, church plans, and government plans.

## Path forward

- If you have a new plan established on or after December 29, 2022, ensure it meets these requirements.



**Mandatory  
provision**



**Review  
your plan**



**Plan  
amendment  
required**



**Potential payroll  
implications**



# Increased catch-up limit for ages 60-63

SECURE 2.0 Section 109 (for 401(k), 403(b), governmental 457(b), or SIMPLE plans that offer age 50 catch-up contributions)

## What is it?

- Effective January 1, 2025, the age 50 catch-up limit is increased to the greater of (1) \$10,000 or (2) 150% of the regular annual catch-up limit for participants attaining ages 60–63.
- In the year the participant attains age 60, they can contribute at the increased limit.
- In the year the participant attains age 64, the limit returns to the standard catch-up limit.

## Path forward

- If your plan permits age 50 catch-up contributions and Empower monitors deferral limits, we will automatically apply the increased contributions effective 1/1/25.
- If the plan (or their TPAs or payroll provider) monitors deferral limits, they may need to make changes to track these increased catch-up limits.



**Empower  
Standard**



**Review  
communication**



**Plan  
amendment  
required**



**Potential payroll  
implications**



# Public safety officer health insurance premiums

SECURE 2.0 Section 328 (applies to governmental 401(a), governmental 401(k), governmental 403(b), and governmental 457(b) plans that allow these distributions)

## What is it?

- A governmental plan can allow a retired public safety officer to elect to have the plan pay qualified health insurance premiums directly to the participant's insurer and exclude such insurance payments (up to \$3,000) from the participant's gross income.
- Prior to SECURE 2.0, the plan had to pay the insurer directly for the participant to exclude the premium payment from income.

## Expected availability

- September 10, 2024

## No action required

- If a plan currently permits these types of distributions, no plan election or amendment is required. Empower will allow a participant to choose to have the insurer paid directly or have payment made to the participant.



**Empower  
standard**



**Recent  
communication**

# Self-certification of hardships withdrawals

SECURE 2.0 Section 312 (for 401(k) and 403(b) plans)

## What is it?

- Historically there were two methods for offering hardship withdrawals in a plan:
  - Source method, where the participant had to provide full documentation.
  - Summary method, where the participant provided summary information on the reason, retains the backup documentation, and submits a request for approval.
- SECURE 2.0 added self-certification that requires the participant to provide the reason and retain the backup documentation, with no additional approval required.
- With self-certification participants can request up to 2 hardships a year without having to provide additional information.

## Expected availability

- Q4 2024



**Empower  
Standard**



**Review  
communication  
coming this fall**



**Plan  
amendment  
required**

Some features may not be available and are subject to change without notice.  
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# Exemption for certain automatic portability transactions

SECURE 2.0 Section 120 (optional for 401(a) DC, 401(k), 403(a), 403(b), and governmental 457(b) plans and SEP IRAs and SIMPLE IRAs)

## What is it?

- Plan service providers may automatically transfer amounts in a default IRA to a new employer's plan unless the participant elects otherwise or opts out.
- Empower is enabling auto-portability as a founding member of the Portability Services Network (PSN).
- PSN uses the Retirement Clearinghouse (RCH) to create a digital hub that collects eligible plan and mandatory distribution IRA data for matching purposes.

## Expected availability

- January 2025

## Action required

Plans with automatic mandatory distribution services that allow rollovers into their DC plan need to sign the PSN/RCH agreement and adopt Empower Automatic Rollover IRA as the standard mandatory distribution solution.



**Review upcoming communication**



**New agreement and plan amendment required**

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