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SECURE 2.0

On December 23, 2022, Congress passed the Consolidated Appropriations Act of 2023 (the Act). This omnibus bill funds the federal government through the end of the current fiscal year. A number of legislative initiatives were attached to the omnibus funding package, including the retirement reform measures commonly referred to as SECURE 2.0.

Over the last few months, the House and Senate have been working to reconcile and combine a trio of bills: the Securing a Strong Retirement Act of 2022 passed by the House and a pair of Senate bills (the Enhancing American Retirement Now (EARN) Act and the Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg (RISE & SHINE) Act, which were referred from the Finance committee and the Health, Education, Labor & Pensions committees, respectively). The provisions included in Division T of the Act and entitled the SECURE 2.0 Act of 2022 reflect the culmination of these efforts.

At Empower, we have been following and reporting on these initiatives since they were introduced. While the final package does reflect compromises and changes, it includes many reforms that will ease administrative burdens for employers and encourage them to provide workplace savings arrangements and increase coverage and savings. Such provisions include:

- Extending the age for beginning required minimum distributions.
- Expanding existing tax credits and creating new tax credits for small employers who adopt retirement plans.
- Encouraging the adoption of automatic enrollment, and automatic increase of contributions.
- Allowing (but not requiring) plan sponsors to match certain student loan payments.
- Increasing the catch-up contribution limit for certain individuals.
- Decreasing the number of years of service part-time workers must complete to become eligible to participate in a 401(k) and certain 403(b) plans subject to ERISA.
- Expanding the existing saver's credit and paying it as a federal match to a plan or an IRA.
- Allowing (but not requiring) plans to provide an emergency savings account.
- Creating a retirement savings lost and found to make it easier for participants to locate orphaned accounts.
- Limiting the notice and disclosure requirements for unenrolled participants.

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- Requiring that catch-up contributions be made in the form of Roth contributions.
- Allowing (but not requiring) plans to give participants the option to treat matching contributions as Roth contributions.
- Easing the burden of sponsoring a plan, including making it easier to correct errors in plan administration.
- Enhancing Pooled Employer Plans (PEPs) by extending them to 403(b) plans and expanding the universe of plan fiduciaries who are responsible for monitoring the timeliness of salary deferral contributions.
- Eliminating the first-day-of-the-month rule for governmental 457(b) plans.

One important item to note relates to the effective dates. When the original SECURE Act was passed in late December 2019, many of the provisions became effective days later, at the beginning of 2020. Under SECURE 2.0, most effective dates were pushed out to 2024 or beyond. We believe these delayed effective dates will assist with a more orderly and efficient implementation of the new provisions.

The reform provisions of the SECURE 2.0 Act of 2022 provide plan sponsors and participants new opportunities and represent an important step forward in helping American workers achieve retirement security. At Empower, we continue to analyze the final provisions of the bill and will provide an in-depth review in the days ahead.