



The Impact of Secure Act 2.0

GFOAT Spring Conference

April 2023

Agenda

- **HUB TCG Facts**
- **Overview of SECURE 2.0**
Provisions & Impact to Employers
- **Next Steps**
- **Q&A**

Help your employees save for and transition to retirement with confidence.



National Reach | Local Leadership



Who We Serve



\$142B+ Retirement plan & private wealth assets under advisement*

7,900+ Retirement plans under advisement*

HUB International By the Numbers



530+ locations in North America



Top 5* global insurance broker



14,000+ employees

*Source: <https://bit.ly/2K28Zs>

Insurance services are offered through HUB International, an affiliate.

TCG/HUB Public Sector Experience



SECURE Act 2.0 Passage



- Goal of Secure 2.0 is to build upon changes implemented by the 2019 Secure Act, such as expanding retirement-plan access to more workers.

- The Act includes important provisions affecting retirement savings plans which are intended to build upon the 2019 SECURE Act.
- **December 29, 2022, the Consolidated Appropriations Act of 2023 (HR 2617) was signed into law.**

SECURE Act 2.0: Key Provisions

Expanded Auto Enrollment/Mandatory Participation

***Starts January 1, 2025**

- Requires new 401(k) & 403(b) plans to automatically enroll participants
- Employees may opt out of coverage
- New employee deferral amount 3% (min)
- Auto increase annually by 1%,
 - Up to 10%, not to exceed 15%
- **Exclusions**: Organizations with 10 or less employees, new businesses (less than 3 years), and church or governmental plans



SECURE Act 2.0: Key Provisions

RMDs and Catch-up Contributions

1/1/2023: Increases the age for required minimum distributions to 73 in 2023 and 75 in 2033

1/1/2025: Increases catch-up contribution limits for ages 60-63 to:

- ❖ \$10,000 for 401(k), 403(b) and 457 plans
- ❖ \$5,000 for SIMPLE plans



SECURE Act 2.0: Key Provisions

Increased Startup Tax Credits

Starts January 1, 2023

- For businesses with up to 50 employees, doubles the credit for start-up costs from 50% to 100%
- Max credit stays at \$5,000
- The 50% credit remains in effect for new plans with 51-100 employees



SECURE Act 2.0: Key Provisions

Employer Contribution Tax Credits

Starts January 1, 2023

A percentage of the employer contribution, to each employee, up to **\$1,000** per employee per year

- ❖ Full credit based on amount contributed to participants and is subject to a maximum of \$1,000 per employee.
- ❖ For employers with between 51 and 100 employees, there is a reduction in the credit based on the number of employees over 50.

Applicable Percentages			
Years 1 & 2*	Year 3	Year 4	Year 5
100%	75%	50%	25%



SECURE Act 2.0: Key Provisions

Clarification of MEP/PEP Startup Tax Credits

Clarifies original provisions in SECURE ACT of 2019

- Start up tax credits for 3 years for employers joining a MEP or PEP
- Credits are available regardless of how long the MEP/PEP has been in existence
- Retroactive to 2020



SECURE Act 2.0: Key Provisions

Student Loan Payment Matching

***Starts January 1, 2024**

- Plan may “match” in the plan amounts paid for student loans as if contributed to the plan
- Applies to 401(k), 403(b), 457 and SIMPLE IRAs
- Separate plan testing for matching contributions on student loans
- Employer contribution treated similar to regular matching contributions for nondiscrimination
- Employee may self-certify loan repayment

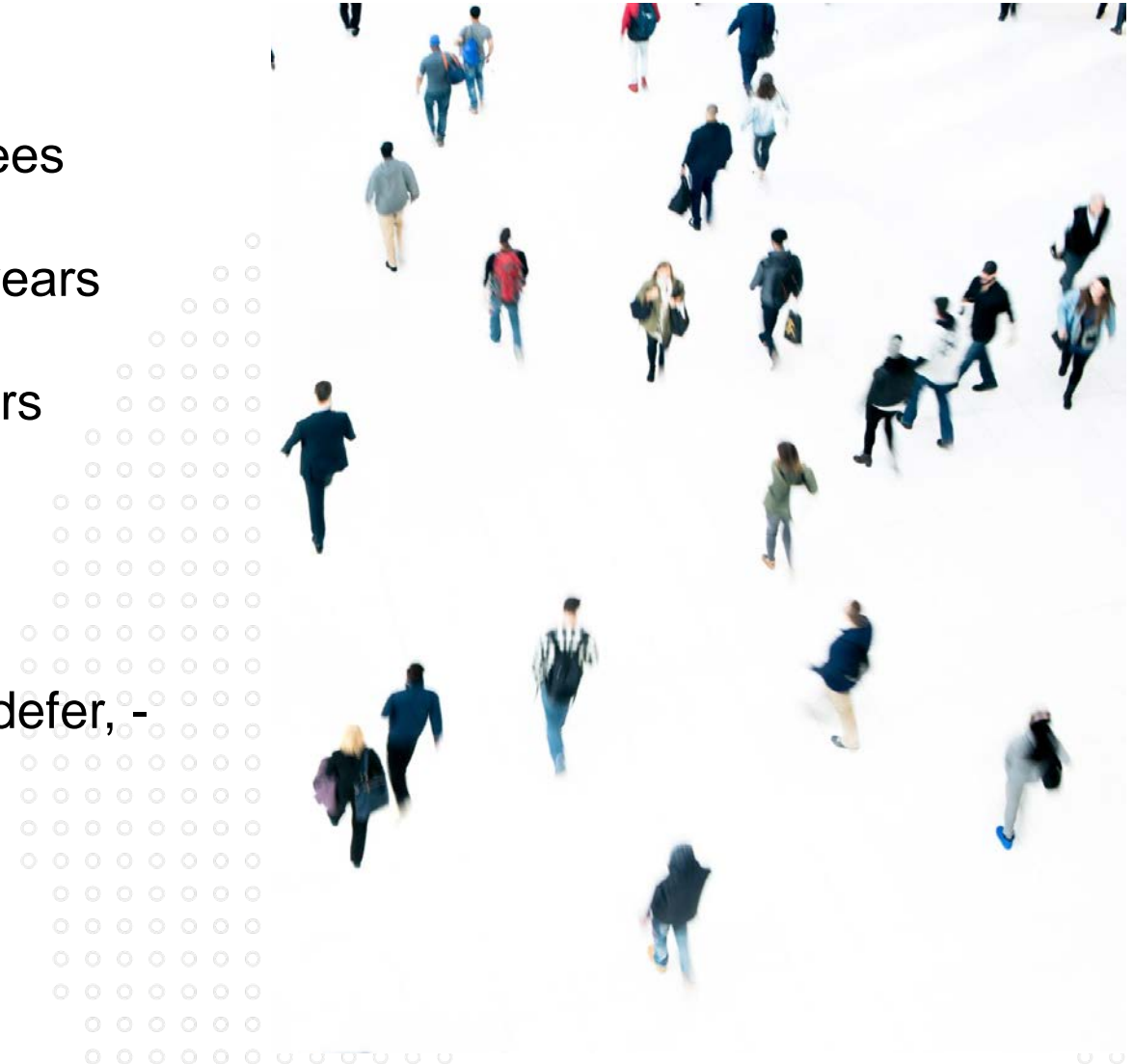


SECURE Act 2.0: Key Provisions

Expanded Access for Part-time Employees

*Starts January 1, 2025

- Reduces limits or restrictions for PT employees
- Requires 500 hours worked in consecutive years
- Reduces required time of service from 3 years (SECURE Act 2019) to 2 years
- 401(k) and new for 403(b) plans
- Requires that PT employees are allowed to defer, - employer contribution not required



SECURE Act 2.0: Key Provisions

Employer Contributions as ROTH

- 401(k), 403(b) and 457(b) plan can allow employee to elect to have employer contributions made as Roth (taxable now)
- Available for matching and nonelective employer contributions
- Contribution must be vested immediately
- Effective on enactment
- Awaiting clarification on taxation*
 - Regular Income?
 - Payroll Taxes?



SECURE Act 2.0: Key Provisions

New Saver's Match

*Starts January 1, 2027

- Replaces the current Saver's Credit (tax credit)
- Saver's Match will be directly contributed to an employee's retirement plan
- Match is 50% of contributions up to \$2,000 per individual
- 401(k) and new for 403(b) plans
- Match is phased out as adjusted gross income (AGI) increases



SECURE Act 2.0: Key Provisions

Lifetime Income Provisions

Starts January 1, 2023

- Removed RMD Barriers to Life Annuities
 - Allows annuities with increasing payments of less than 5%, (COLAs), to satisfy RMD rules
- Eliminating RMD Incentive to Not Partially Annuitize
- Qualified Longevity Annuity Contract (QLAC) Reforms
 - Allows for more lifetime income
 - 25% limit has been eliminated
 - New maximum limit is \$200,000



SECURE Act 2.0: Key Provisions

Plan Simplifications

- Self-certification of hardship distributions
- Allow small financial rewards (i.e., gift card) as incentive to contribute to the plan
- Eliminate “first day of the month” rule for governmental 457(b) plans
- Expanding EPCRS to allow self-correction of most operational errors
- Simplify notices for employees who are eligible but have not enrolled
- DOL to allow consolidation of notices and consider further improvements



SECURE Act 2.0: Key Provisions

Notable New Addition

529 Rollovers

- Unused 529 monies can be rolled into Roth IRA of beneficiary
- No more than Roth limit each year, max \$35,000 lifetime
- Roth account must be in existence for minimum of 15 years



Next Steps

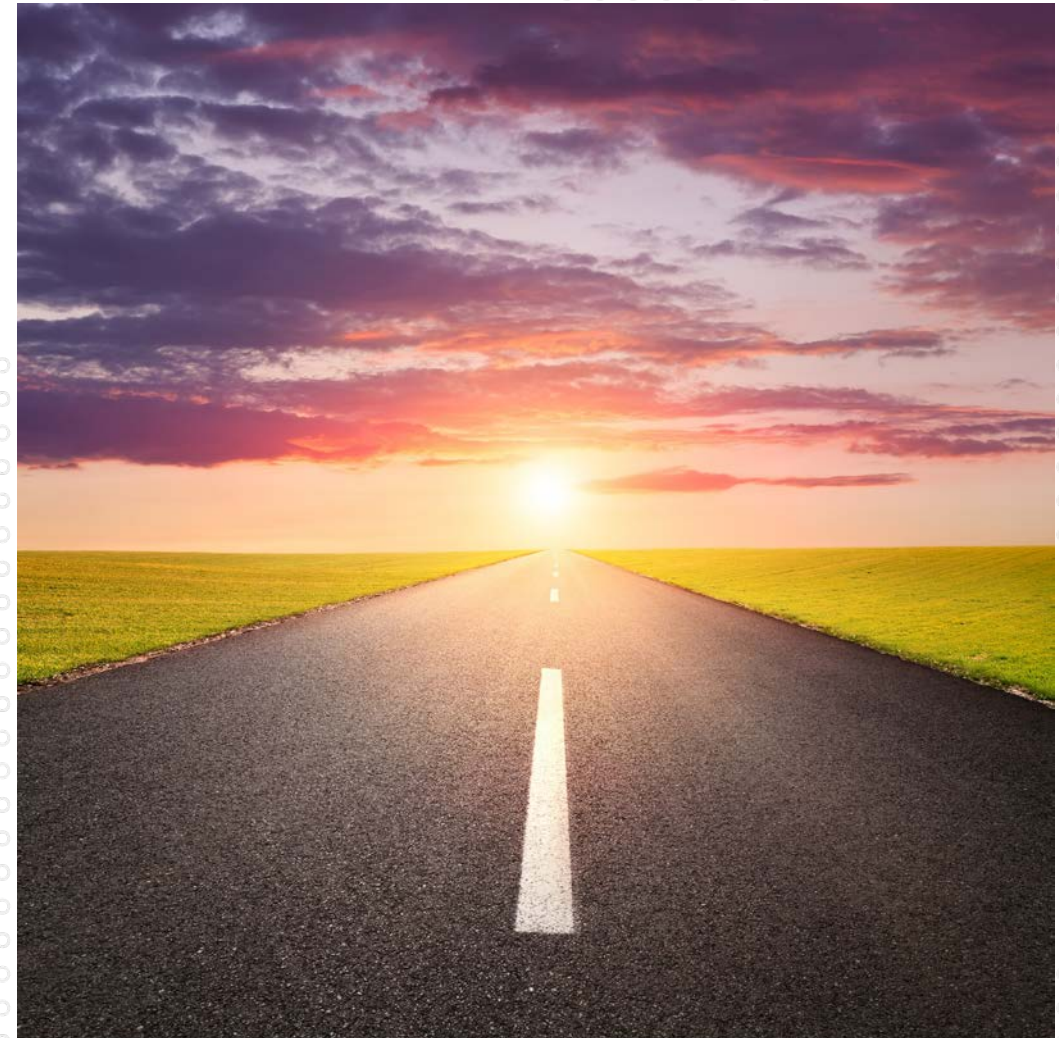
How to be a Proactive Leader

SECURE Act 2.0 changes the rules for retirement and retirement plans.

Business Leaders need to seek out guidance from experts.

With SECURE 2.0, there will be a need for:

- Increased education for plan participants
- Guidance on implementing new provisions
- Redesigning and restating retirement plans
- Insight on new retirement options





Questions?





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