

NAICU Capstone Webinar Series

SECURE 2.0: What to Expect



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Agenda



Policy Goals



SECURE 2.0 Overview



Summary of Key Provisions



Plan Sponsor Considerations

Retirement reform policy goals



Make it easier to utilize in-plan lifetime income solutions

Americans face a \$4 trillion retirement income gap



Facilitate increased savings and preservation

40% of families forecast to exhaust savings during retirement



Expand access to employer-sponsored retirement plans

Only 52% of workers have access to an employer-sponsored plan



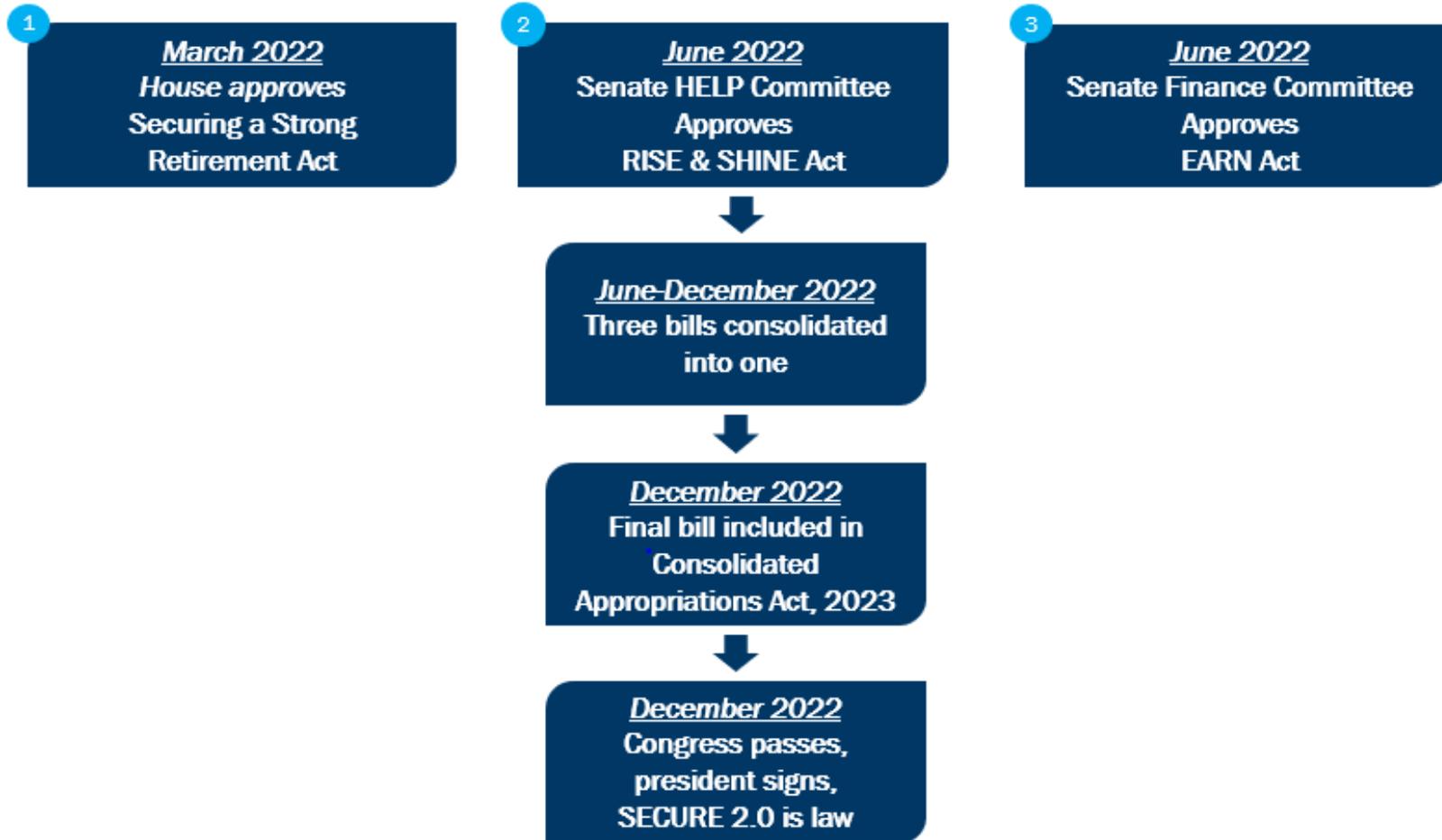
Simplify plan administration

Employers point to cost (37%), lack of resources (22%) as barriers to starting a plan

Sources:

[EBRI Retirement Security Projection Model \(RSPM\) - Analyzing Policy and Design Proposals, EBRI, No. 451, May 31, 2018.](#)
[Retirement Savings Shortfalls: Evidence From EBRI's 2019 Retirement Security Projection Model, May 2019](#)
[TED: The Economics Daily, 67 % of private industry workers had access to retirement plans in 2020, BLS, March 1, 2021](#)
[Employer Barriers to and Motivations for Offering Retirement Benefits, June 2017](#)

SECURE 2.0 legislative path and executive summary



- Multi-year effort following SECURE 1.0 (2019)
- Includes over 90 provisions
- Effective dates vary - RMD age change effective now
- Last minute change (CITs) and addition (529s)
- Focus on small employers and improving access
- Numerous provisions require regulators' input

Key provisions overview

Provision	Description	Effective Date	Type
CITs in 403(b) Plans	Amends the Tax Code to allow for CITs in 403(b) plans, but does not provide the necessary securities law exemptions, <i>rendering the provision ineffective</i>	Enactment	Optional
Roth: Match/Nonelective	Permits employers to allow employees to designate employer match and nonelective contributions to be treated as Roth	Enactment	Optional
Financial Incentives	Allows employers to offer employees incentives, such as gift cards, for making contributions	Enactment	Optional
Barriers to Annuitization	Address RMD regulations that create barriers to annuities by, for example, updating an outdated actuarial test and removing disincentives to partial annuitization	Enactment	Mandatory

Key provisions overview

Provision	Description	Effective Date	Type
Update RMD Age	Increases the age from 72 to 73 effective 1/1/2023 and to 75 on 1/1/2033	12/31/2022	Mandatory
403(b) MEPs/PEPs	Allows 403(b) plans to join a common plan and expands small employer plan start-up credit	12/31/2022	Optional
Roth: Catch-up Contributions	Requires age-based catch-up contributions be made as Roth for wages over \$145,000	12/31/2023	Optional / Mandatory
Student Loan Payments	Permits employers to make matching contributions based on qualified employee student loan payments	12/31/2023	Optional
Emergency Savings	Allows employers to offer emergency savings “sidecar” accounts plans and/or to provide for penalty-free withdrawals for “emergency personal expenses”	12/31/2023	Optional
529 Plans	Allows for rollover of excess 529 contributions to a Roth IRA	12/31/2023	Optional

Key provisions overview

Provision	Description	Effective Date	Type
Auto-Enrollment/Escalation	Takes steps to improve utilization of automatic provisions to enhance participation and savings rates for <u>new plans</u>	12/31/2024	Mandatory
Coverage for Part-time Workers	Reduces the three-year service requirement for long-term, part-time employees to two years and expands requirement to ERISA-covered 403(b) plans	12/31/2024	Mandatory
Increased Catch-up Contribution	Increases catch-up contribution amount to \$10,000 or 150% of regular catch-up for ages 60-63	12/31/2024	Optional / Mandatory
Retirement Savings Lost & Found	Establishes an online searchable database, maintained by DOL, to help individuals locate retirement accounts	12/31/2024	Mandatory
Increased Cash-out Limit	Increases the maximum mandatory distribution limit from \$5,000 to \$7,000	12/31/2024	Optional
Paper Benefit Statement	Requires annual paper statement to plan participants	12/31/2025	Mandatory
Saver's Match	Saver's Credit now "Saver's Match"; expands access to/awareness of the match	12/31/2026	Optional

Organizing how you manage the provisions

Plan sponsors will have to make decisions about their plan not only for today but for the foreseeable future



Effective Dates

Each provision has its own effective date; some take effect immediately, others at the beginning of 2023 and some in later years.



Optional / Mandatory

Provisions will be either optional or mandatory. For optional, plan sponsors will have to decide on need, cost and impact to the plan and participants.



Regulations

DOL, IRS and Treasury will issue regulations over the next few years on certain provisions that will provide additional guidance for plan sponsors.

Questions to consider

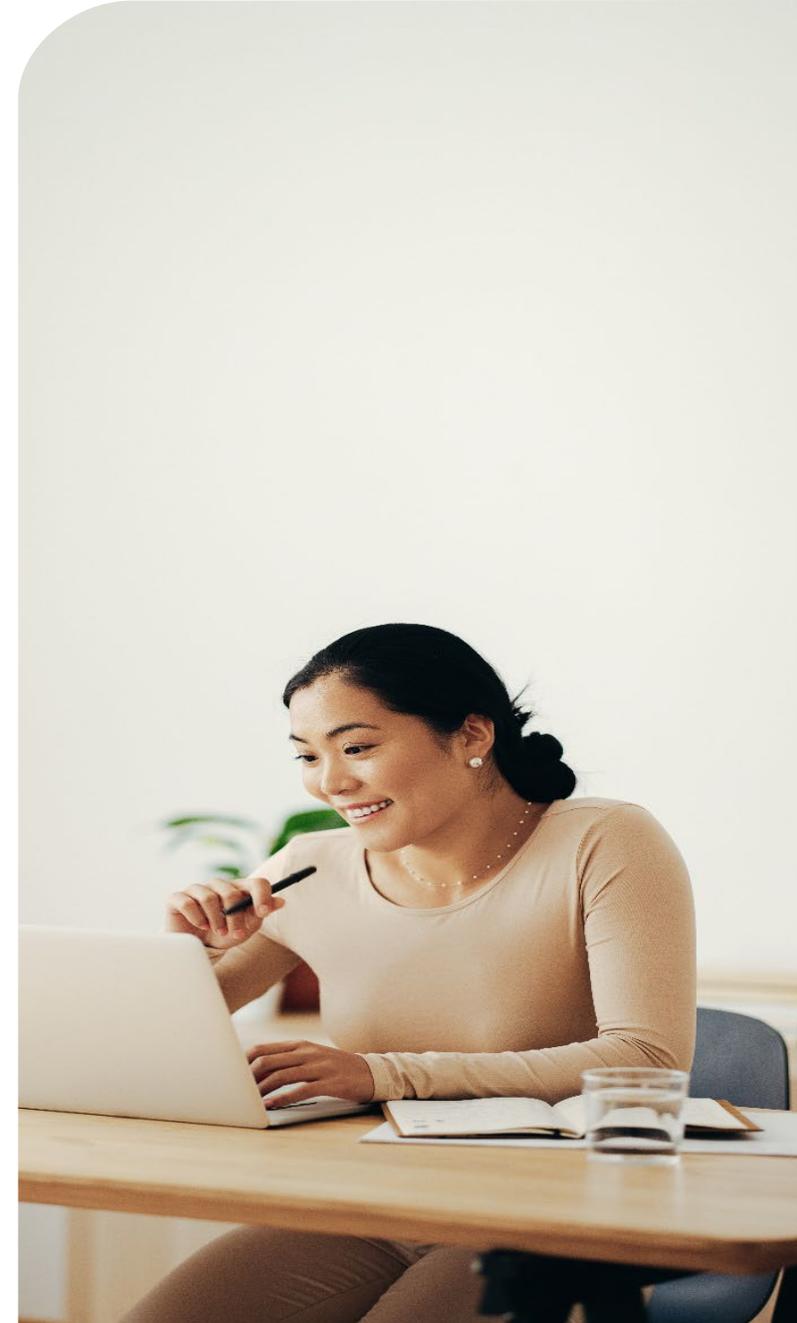
Provision	Effective Date	Type	Considerations
Roth: Match/Nonelective	Enactment	Optional	<ul style="list-style-type: none"> • Participants understanding Roth and its impacts • Unclear as to tax implications and withholding to you
Financial Incentives	Enactment	Optional	<ul style="list-style-type: none"> • Is participation an issue for you • How much will the incentive cost • What incentive(s) will be meaningful to my employees
403(b) MEPs/PEPs	12/31/2022	Optional	<ul style="list-style-type: none"> • Would it be more beneficial to join a MEP/PEP • Does joining a MEP/PEP create savings opportunities and/or provide more services
Roth: Catch-up Contributions	12/31/2023	Optional / Mandatory	<ul style="list-style-type: none"> • Participants understanding of Roth and its impacts • How many participants will be impacted by the change • How should we communicate
Student Loan Payments	12/31/2023	Optional	<ul style="list-style-type: none"> • How many participants will take advantage • What will the cost or budget impact • What will other participants say or think about this benefit
Emergency Savings	12/31/2023	Optional	<ul style="list-style-type: none"> • Which option is best for my employees • What is the budget impact if choose the contribution • Are we concerned about leakage

Questions to consider

Provision	Effective Date	Type	Considerations
Coverage for Part-time Workers	12/31/2024	Mandatory	<ul style="list-style-type: none"> How many additional employees will be participating in the plan Will eligible employees be asking questions
Increased Catch-up Contribution	12/31/2024	Optional / Mandatory	<ul style="list-style-type: none"> How many participants will be impacted How can this be part of a communication strategy
Increased Cash-out Limit	12/31/2024	Optional	<ul style="list-style-type: none"> How many participants do you have with low balances What is the level you want to set for cash-outs
Paper Benefit Statement	12/31/2025	Mandatory	<ul style="list-style-type: none"> Can we provide work email addresses to recordkeeper Is this an opportunity to remind participants to check their statement, appropriate asset allocation and increase contributions
Saver's Match	12/31/2026	Optional	<ul style="list-style-type: none"> Do we have employees that can take advantage Do we want to accept the government match
Plan Documents	1/1/2025	Mandatory	<ul style="list-style-type: none"> Should we have something in writing before plan documents need to be updated

Consideration checklist, as applicable to specific provisions

- Updates to payroll files
- Potential updates to payroll and current salary deferral process
- Consider tax implications to employees
- Employee communications and education
- Provision impact to retirement plan goals
- Programming and IT builds
- Budget resources allocation
- Update plan documents





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Questions?

TIAA - A Capstone Sponsor of NAICU

The following TIAA team will be in attendance of the NAICU Annual Meeting and are resources for anyone with additional questions on SECURE 2.0. Their email addresses are provided so feel free to send questions or set up time at the conference.



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