

# Making headway with SECURE Act 2.0

On March 29, 2022, the U.S. House of Representatives<sup>1</sup> passed the Securing a Strong Retirement Act of 2022. In June, the two Senate bills under consideration achieved approval; 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. These three bills now represent the basis for the proposed retirement reform commonly known as SECURE Act 2.0. While there are similarities between the House-approved bill and the Senate bills, there are also differences. The three bills must still be reconciled into one bill before a vote on the final bill. The final step is the review and signature by the President before it becomes law.

TIAA applauds this congressional effort to expand the guidance for retirement plans in an effort to increase access and retirement savings, and afford the opportunity for Americans to build better lifetime financial security. Although the legislation is still evolving, now is the time for plan sponsors and consultants to understand how the proposed provisions may impact their retirement plan(s).

## Key provisions under consideration

Here are some of the provisions addressed in the bills organized by the broad goals they seem to address: expanding access to retirement plans and investment options; increasing savings and preserving income; and simplifying plan administration.

## Expanded access & additional investment options

Provision	Description
<b>Auto-enrollment in new retirement plans</b>	A newly established 401(k) or 403(b) plan must include auto-enrollment and auto-escalation provisions unless an exception is met.
<b>Multiple employer plans (MEPs)</b>	Permits 403(b) plan sponsors to join together under a single, multiple employer plan/pooled employer plan (PEP).

Provision	Description
<b>Financial incentives for contributing to a plan</b>	Allows employers to offer employees small, immediate financial incentives (such as gift cards) for making deferrals to a retirement plan.
<b>Access for long-term, part-time workers</b>	Reduces the service requirement for part-time workers to be eligible for participation in employer-sponsored retirement plans. Also, allows the plan sponsor to disregard vesting service prior to the effective date of the legislation.
<b>Collective Investment Trusts (CITs) in 403(b) plans</b>	Permits CITs to be offered in 403(b) plans with the intent of offering lower-cost investment options for retirement plan participants.

### Increased savings & income preservation

Provision	Description
<b>Student loan payments eligible for matching contributions</b>	Permits a plan sponsor to make matching contributions based on the employee's qualified student loan payments.
<b>Catch-up contributions</b>	Raises the annual catch-up contribution amount to \$10,000 for 401(k), 403(b) and 457(b) plans, and to \$5,000 for SIMPLE IRA or SIMPLE 401(k) plans. The exact age for the higher catch-up amount is currently under negotiation.
<b>Saver's Credit</b>	Expands access to the Saver's Credit (a tax credit for contributions) and directs the Treasury Department to promote the credit with the intent of increasing awareness and utilization.
<b>Required minimum distribution (RMD) age</b>	Increases the age for RMDs from 72 to 75. This may be phased in over time or be immediate.
<b>Simplify annuitization for RMDs</b>	The legislation would simplify the ability to annuitize RMDs by changing an existing actuarial test (known as the minimum income threshold test or MITT) in the RMD regulations.
<b>Eliminate partial annuitization penalty</b>	The provision may reduce total RMD payments for participants that have previously annuitized a portion of their plan account balance.

Provision	Description
<b>Roth age-based catch-up contributions</b>	All age-based catch-up contributions made to a retirement plan would have to be designated as Roth contributions and will be subject to the Roth rules for tax treatment and distribution.
<b>Optional treatment of employer matching contributions as Roth contributions</b>	Permits a 401(a) plan, 403(b) plan or governmental 457(b) plan participant to designate matching contributions as Roth contributions.
<b>Penalty-free distributions for domestic abuse</b>	<p>Permits participants who self-certify that they experienced domestic abuse to take a penalty-free withdrawal up to a limited amount. A distribution made under this provision would not be subject to the 10% penalty tax on early distributions.</p> <p>This type of distribution will be referred to as an eligible distribution to a domestic abuse victim (EDDAV).</p>
<b>Clarifies start-up credit for MEPs</b>	The start-up credit for small businesses joining a MEP or PEP is available for three years based on the date the business joins, not from the effective date of the MEP or PEP. Employers with generally up to 100 employees are eligible for the annual tax credit.
<b>Emergency savings</b>	Participants would have access to their retirement account for emergency situations.

## Simpler plan administration

Provision	Description
<b>Consolidation of notices</b>	Directs the Treasury Department, Labor Department and Pension Benefit Guaranty Corporation (PBGC) to make recommendations to Congress to consolidate, simplify and standardize certain ERISA and Internal Revenue Code reporting and disclosure requirements.
<b>Paper benefit statement requirement</b>	<p>Required to be mailed to participants at least once a year for defined contribution plans, and once every three years for defined benefit plans. This rule is subject to exceptions based on use of safe harbor or permitting receipt of statements electronically.</p> <p>The other three quarterly statements required for ERISA covered plans can be provided electronically.</p>

Provision	Description
<b>Retirement savings “lost and found”</b>	Requires the Department of Labor to establish an online searchable database which will allow plan participants to locate the plan administrator of any plan in which the individual has been a participant or beneficiary.
<b>Qualified birth or adoption distributions (QBADs) repayment</b>	Aligns rules for qualified birth or adoption distributions with rules for disaster-relief distributions, requiring repayment to a retirement plan within three years in order to be considered rollover contributions.
<b>“Unenrolled” participant disclosures</b>	Provides an exemption for plan sponsors from distributing certain otherwise-required disclosures to employees who are not enrolled as participants in their retirement plan.
<b>Self-correcting plan violations</b>	Permits plans and IRAs to self-correct certain RMD failures in accordance with the IRS Employee Plans Compliance Resolution System (“EPCRS”) rules without an excise tax or “last day” requirement.
<b>Safe harbor for correcting employee elective deferral failure</b>	Provides a grace period for correcting “reasonable administrative errors” associated with implementing auto-enrollment and auto-escalation features, without penalty, subject to certain requirements.
<b>Aligning 403(b) and 401(k) hardship distribution rules</b>	403(b) plan participants may request a hardship distribution from certain employer contributions as well as salary deferrals (current law only allows hardship distributions from salary deferrals). Also, 403(b) plan participants are no longer required to take a plan loan prior to requesting a hardship distribution.
<b>Deferred compensation in governmental 457(b) plans</b>	Eliminates the “first day of the month” rule for governmental 457(b) plans by allowing participants to change their salary deferrals at any time in the month, as long as the compensation has not yet been made available to them.
<b>Updating dollar limit for involuntary distributions</b>	Increases the dollar threshold below which a plan could make a distribution without a participant’s consent from \$5,000 to \$7,000.

<sup>4</sup>H.R. 2954 *Securing a Strong Retirement Act of 2021*



While the timeline for SECURE Act 2.0 being signed into law remains uncertain, TIAA is here to support you every step of the way. We will keep you apprised of future developments, and when the time comes we will work with you to develop a strategy to educate plan participants.

In the meantime, please reach out to your relationship manager or consultant relations director if you have any questions or want to discuss the proposed legislation further. If you are served exclusively by the Administrator Telephone Center, call 888-842-7782, weekdays, 8 a.m. to 8 p.m. ET.

This material is for informational or educational purposes only and does not constitute investment advice under ERISA. This material does not take into account any specific objectives or circumstances of any particular investor or suggest any specific course of action. Investment decisions should be made based on the investor's own objectives and circumstances.

The TIAA group of companies does not provide legal or tax advice. Please consult your tax or legal advisor to address your specific circumstances.

TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributes securities products. Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF), New York, NY. Each is solely responsible for its own financial condition and contractual obligations.

©2022 Teachers Insurance and Annuity Association of America-College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017