# SECURE Act 2.0—The next wave of retirement reform

**The SECURE (Setting Every Community Up for Retirement Enhancement) Act**, which took effect in December 2019, is recognized as one of the most significant pieces of retirement legislation since the Pension Protection Act of 2006. It allows more people to participate in employer-sponsored retirement plans and save for retirement.

**Legislators are now looking to build on the SECURE Act's momentum and further modernize the retirement system by introducing a new package of retirement reform proposals.**

**The SECURE Act empowered plan sponsors to initiate plan design changes to address retirement readiness gaps: access, savings and guarantee…all to help employees attain lifelong financial security.**

## SECURE Act 2.0

SECURE Act 2.0 consists of two significant bipartisan bills that were introduced in this Congress with the intention of expanding employee access to retirement savings plans and making it easier for employers to engage them in saving for retirement. Similar to the SECURE Act, this next wave of comprehensive retirement reform continues to focus on gaps in retirement plan access, savings and lifetime income as well as simplifying retirement plan administration.

The **Securing a Strong Retirement Act**[1] passed the House Ways and Means Committee by a unanimous vote on May 5, 2021, setting it up for a future vote in the House of Representatives. The **Retirement Security and Savings Act**[2] was reintroduced in the Senate a couple of weeks later, though it hasn't worked its way through the Senate Finance Committee yet. While about one-third of the 80 total provisions overlap, the bills are not identical. That said, by and large, all the provisions have strong bipartisan support, and we expect that most will be part of any final proposal that gets signed into law.

This next wave of retirement reform presents a good opportunity to review your retirement plan objectives and design potential ways to simplify your plan administration, and opportunities to educate your participants on these potential changes and how they can impact their overall financial wellness.

## We're here to help

TIAA continues to be a proud leader in driving retirement reform legislation to improve retirement outcomes for individuals, help plan administrators fulfill their fiduciary responsibilities and simplify administration. We remain committed to working with policymakers on further improvements to American retirement and financial security today and into the future.

While the time line for SECURE 2.0 being signed into law remains uncertain, we will keep you apprised of future developments via **TIAA.org/public/plansponsors/secureact**. In the meantime, please reach out to your relationship manager if you have any questions or want to discuss further. If you are served exclusively by the Administrator Telephone Center, call **888-842-7782**, weekdays, 8 a.m. to 8 p.m. (ET).

> "The thoughtful, holistic and bipartisan policymaking represented in this bill demonstrates your commitment to improving the retirement outcomes of individuals and families across the country. The Securing a Strong Retirement Act of 2021 ("SSRA") will help preserve income, increase savings and ensure greater access to workplace retirement plans. This in turn will help ensure retirees are as self-sufficient as possible and increase their confidence in achieving overall financial well-being", excerpt from May 4, 2021 letter from Douglas Chittenden, Senior Executive Vice President and Head of Client Relationships, to the Honorable Richard E. Neal and the Honorable Kevin Brady, United States House of Representatives.

## Provisions under consideration

Below is an outline of key SECURE Act 2.0 provisions under consideration in categories aligned to the policy goals of expanding access to retirement plans, increasing investment options and savings, preserving lifetime income, and simplifying plan administration. These include a high-level description based on how the bills are currently drafted. Language could change as these bills move through the legislative process. Hence, the specific requirements may change before the provisions are approved and published.

| Access | Savings Gap | Investments | Preserving Income | Simplifying Plan Administration | Other Key Provisions |
|---|---|---|---|---|---|

## ACCESS

| Provision | Description |
|---|---|
| Expanding auto enrollment in retirement plans | Requires newly established plans to implement auto enrollment and/or establish a new automatic enrollment safe harbor.<br>[Note: This provision does not apply to existing plans.] |
| Multiple Employer Plans (MEPs) | Allows 403(b) plans to sponsor or participate in an open 403(b) MEP, including Pooled Employer Plans ("PEPs") as well as relief from the one bad apple rule, so that the violations of one employer does not affect the tax treatment of the MEP. |
| Financial incentives for contributing to a plan | Allows employers to offer employees small, immediate financial incentives (i.e., gift cards) for making retirement plan contributions. |
| Long-term part-time workers | Provides a one-year reduction in period of service requirement for long-term part-time workers from three years to two. |

## SAVINGS GAP

| Provision | Description |
|---|---|
| Student loan payments as elective deferrals for purposes of matching contributions | Treats student loan payments as elective deferrals to allow employers to make matching retirement contributions. |
| Increasing catch-up contributions | Increases the annual catch-up amount to $10,000 for participants ages 62 through 64, and $5,000 for participants who have attained a certain age in a SIMPLE IRA or SIMPLE 401(k) plan. |
| Promotion of Saver's Credit | Directs the Internal Revenue Service to promote the Saver's Credit to increase utilization. |

## INVESTMENTS

| Provision | Description |
|---|---|
| Collective Investment Trusts (CITs) in 403(b) plans | Allows CITs to be offered in 403(b) plans.<br>Increases the availability of low-cost collective investment trust options for retirement savers. |

## PRESERVING INCOME

| Provision | Description |
|---|---|
| Required Minimum Distribution (RMD) | Increases the RMD age for required distributions from 72 to age 75. SECURE Act 2.0 bill does so in three phases over time.<br>Cardin-Portman bill makes the change to 75 at once. |
| RMD barriers to annuitization | Removes certain barriers to the availability of life annuities in qualified plans and IRAs that are the result of existing RMD regulations. The bill would update an outdated actuarial test in the RMD regulations. |
| Eliminate partial annuitization penalty | Current RMD regulations fail to account for the fact that amounts received from annuitized monies often exceed the required distribution amounts from non-annuitized assets. The proposal would address this issue. |

## SIMPLIFYING PLAN ADMINISTRATION

| Provision | Description |
|---|---|
| Consolidation of notices | Would direct the Treasury Department, Labor Department and Pension Benefit Guaranty Corporation (PBGC) to review current ERISA and Code reporting and disclosure requirements, and make recommendations to Congress to consolidate, simplify, standardize and improve such requirements. |

## ADDITIONAL KEY PROVISIONS

| Provision | Description |
|---|---|
| In-plan Roth contributions | All catch-up contributions in qualified retirement plans would be subject to Roth tax treatment. |
| Roth rollovers to plans provisions | Permits Roth IRA amounts to be rolled into Defined Contribution plans. The bill would require the Secretary of the Treasury to amend the rollover regulations to permit rollovers from Roth IRAs to a qualified plan, 403(b) plan or governmental 457(b) plan. |
| Optional treatment of employer matching contributions as Roth contributions | Plan may permit an employee to designate matching contributions as designated Roth contributions. |
| Paper benefit statement requirement | Retirement plans must provide a paper benefit statement at least once annually unless a participant proactively opts-out.<br>The other three quarterly statements required under ERISA would not be subject to this rule (i.e., they can be provided electronically). |
| Penalty-free distributions for domestic abuse | Allows retirement plans to permit participants who self-certify that they experienced domestic abuse, to withdraw a small amount of money, penalty free. A distribution made under this provision would not be subject to a 10% tax on early distributions. |

**Please note that this list above is provided for informational purposes only. TIAA does not and cannot provide legal or tax advice. We recommend that all clients consult their own ERISA/tax legal counsel for such advice.**

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[1] Congress Considers 'SECURE Act 2.0' with a New Round of Retirement Plan Fixes. Society for Human Resource Management (SHRM). May 11, 2021. **https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/congress-considers-a-new-round-of-retirement-legislation.aspx**

[2] Congress.gov. H.R.2954 - Securing a Strong Retirement Act of 2021. **https://www.congress.gov/bill/117th-congress/house-bill/2954/text**



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