

Making headway with SECURE Act 2.0

On March 29, 2022, the U.S. House of Representatives¹ passed the Securing a Strong Retirement Act of 2022, commonly known as SECURE Act 2.0. TIAA applauds this effort to update the guidance for retirement plans.

The bill builds on the SECURE Act of 2019—which was aimed at increasing retirement savings and encouraging participation in employer-sponsored retirement plans. Its changes are intended to assist all Americans with building lifetime financial security.

What's next

Keep in mind that the legislation is still evolving. Lawmakers may revise the SECURE 2.0 provisions as the Senate works through the legislation. Once finalized and if passed by the Senate, the bill will then go to the President for consideration.

Now is the time to begin educating yourself about the proposed provisions so you are ready to comply with any new laws and make any required changes. Think about how this would impact your current plan design, keeping in mind that some provisions of the new legislation would be mandatory and others would be optional.

Provisions under consideration

Here are some of the key provisions, organized by the broad goals they seem to be aimed toward: expanding access to retirement plans and investment options; increasing savings and preserving income; and simplifying plan administration.

Expanded access & additional investment options

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

Provision	Description
Financial incentives for contributing to a plan	Allows employers to offer employees small, immediate financial incentives (such as gift cards) for making retirement plan contributions.
Access for long-term, part-time workers	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.
Collective Investment Trusts (CITs) in 403(b) plans	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
Student loan payments eligible for matching contributions	Permits a plan sponsor to make matching contributions based on the employee's qualified student loan payments.
Catch-up contributions	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 review.
Saver's Credit	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.
Required minimum distribution (RMD) age	Increases the age for RMDs from 72 to 75. This may be phased in over time or be immediate.
Simplify annuitization for RMDs	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.
Eliminate partial annuitization penalty	The provision may reduce total RMD payments for participants that have previously annuitized a portion of their plan account balance.

Provision	Description
Roth age-based catch-up contributions	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.
Roth IRA rollovers to defined contribution plans	The Senate bill would require the Secretary of the Treasury to amend the regulations to permit rollovers from Roth IRAs to a 401(a), 403(b) plan or governmental 457(b) plan.
Optional treatment of employer matching contributions as Roth contributions	Permits a 401(a) plan, 403(b) plan or governmental 457(b) plan participant to designate matching contributions as Roth contributions.
Penalty-free distributions for domestic abuse	<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>
Clarifies start-up credit for MEPs	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.

Simpler plan administration

Provision	Description
Consolidation of notices	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.
Paper benefit statement requirement	<p>Retirement plans must provide a paper benefit statement at least once annually unless a participant proactively opts out.</p> <p>The other three quarterly statements required for ERISA covered plans can be provided electronically.</p>

Provision	Description
Retirement savings “lost and found”	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.
Qualified birth or adoption distributions (QBADs) repayment	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.
“Unenrolled” participant disclosures	Provides an exemption for plan sponsors from distributing certain otherwise-required disclosures to employees who are not enrolled as participants in their retirement plan.
Self-correcting plan violations	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.
Safe harbor for correcting employee elective deferral failure	Provides a grace period for correcting “reasonable administrative errors” associated with implementing auto-enrollment and auto-escalation features, without penalty, subject to certain requirements.
Aligning 403(b) and 401(k) hardship distribution rules	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.
Deferred compensation in governmental 457(b) plans	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.
Updating dollar limit for involuntary distributions	Increases the dollar threshold below which a plan could make a distribution without a participant’s consent from \$5,000 to \$7,000.
Merging 401(a) and 403(b) plans	<p>The new rules would permit the merger of unlike plan types (e.g., a 401(a) plan to a 403(b) plan of the same employer, or vice versa).</p> <p>Please consult with your legal counsel regarding the complexity of merging unlike plan types.</p>

¹[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 via our website: [TIAA.org/public/plansponsors/secureact](https://www.tiaa.org/public/plansponsors/secureact), and when the time comes, we will work with you to develop a strategy to educate your plan participants.

In the meantime, please reach out to your relationship manager 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