A GUIDE TO SECURE 2.0 PROVISIONS

For Plan Sponsors

Recordkeeping Only Plans

This guide is intended to help plan sponsors stay informed of SECURE Act of 2022 (SECURE 2.0) provisions, what we are doing to respond to or address the provisions, and actions plan sponsors may need to take to comply with the provisions. It will be periodically updated to reflect the most current guidance.

Updated 3/6/2024

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Section 103—Saver's match contributions—401(k), 403(b), governmental 457(b) plans, and IRAs

EXPLANATION

The Saver's Match is a refundable credit that is claimed by taxpayers on their tax returns and is generally paid to a traditional IRA or to the pre-tax deferral account of a 401(k), 403(b) or governmental 457(b). The Saver's Match is equal to 50% of a taxpayer's qualified retirement savings contributions up to $2,000, until a taxpayer's modified adjusted gross income (MAGI) reaches a given threshold, at which point the 50% matching percentage is phased out. The IRS is directed to issue information regarding the treatment and reporting of matching contributions.

This provision applies to taxable years beginning after December 31, 2026.

WHAT WE ARE DOING

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions for your next steps.

Section 109—Higher catch-up contribution limit to apply at ages 60 through 63—401(k), 403(b), governmental 457(b) plans, and SIMPLE IRAs

EXPLANATION

Under Section 109, individuals aged 50 or older may contribute amounts more than the otherwise applicable contribution limits, as indexed. For 2024, the maximum catch-up contribution amount is $7,500 (except in the case of a SIMPLE plan, for which it is $3,500).

- For plans other than SIMPLE plans, the maximum catch-up contribution limit is increased to the greater of $10,000 or 150% of the regular catch-up amount (based on 2024 indexed limits) for individuals aged 60, 61, 62, and 63.
- For SIMPLE plans, the maximum catch-up contribution limit is increased to the greater of $5,000 or 150% of the regular catch-up amount for 2025 (indexed) for individuals aged 60, 61, 62 and 63.

This provision applies to taxable years beginning after December 31, 2024.

WHAT WE ARE DOING

We are preparing our recordkeeping system to accept these changes to the catch-up contribution limit.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions for your next steps.

Section 110—Student loan payments treated as elective deferrals for purposes of matching contributions—401(k), 403(b), governmental 457(b) plans, and SIMPLE IRAs

EXPLANATION

Under Section 110, a plan sponsor may elect to make matching contributions for qualified student loan payments. A student loan payment is qualified if an employee makes it to repay a qualified education loan taken by the employee to pay qualified higher education expenses to an eligible education institution.

This provision applies for plan years beginning after December 31, 2023.

WHAT WE ARE DOING

The legislation directs Treasury to issue regulations, along with a model amendment. No deadline was given, and no additional guidance has been issued.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

As this is an optional provision of SECURE 2.0, if you are interested in adopting, watch for future communications from us and instructions for your next steps.

Section 112—Military spouse retirement plan eligibility credit for small employers—401(k), 403(b), and governmental 457(b) plans, SEPs, and SIMPLE IRAs

EXPLANATION

A military spouse retirement plan eligibility credit is for employers that had 100 or fewer employees who received at least $5,000 of compensation for the preceding year. Employers will generally be eligible for the credit if their plan provides that military spouses:

- are eligible to participate in the plan not later than 2 months after they are hired;
- eligible to participate in the plan are immediately eligible to receive employer contributions under the plan in an amount that they would have been able to receive after 2 years of service; and
- are immediately 100% vested in all employer contributions they receive.

The credit is the sum of:

- $200 per military spouse who is an employee of the employer and who participates in a plan of the employer at any time during the taxable year; and
- 100% of the employer contributions (other than elective deferrals) made on behalf of the military spouse during the taxable year (up to $300).

This provision applies to taxable years beginning after December 29, 2022.

For additional details, read **SECURE 2.0 Military Spouse Credit.pdf**.

WHAT WE ARE DOING

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Review the credit to see if it is of interest to you and whether your plan provisions qualify for the credit.

Section 125—Improving coverage for part-time workers—401(k) and 403(b) plans

EXPLANATION

Under Section 125, eligible long-term part-time (LTPT) employees may enroll in a 401(k) or ERISA-covered 403(b) plan after 2 consecutive 12-month periods in which they work 500 hours or more while attaining age 21. Previously, beginning in 2024, LTPT employees were eligible to enroll in a 401(k) after 3 consecutive 12-month periods in which they work 500 hours or more while attaining age 21 and this rule did not apply to 403(b) plans.

This provision applies to plan years beginning after December 31, 2024.

For additional details, read SECURE 2.0 Improved Coverage for LTPT Employees.pdf.

WHAT WE ARE DOING

During second quarter 2024 (2Q24), we will update the plan website with a new indicator for LTPT employees under **Employee Tab > Employee Information**.

During 2Q24, we will also launch updated reporting to reflect LTPT employees. Keep an eye out for a LTPT date to be added to these reports, as applicable to your plan: *HRIS*, *PayrollSync*, and *Deferral Change*.

- Actual Hours Method: We are implementing a more seamless process to track these dates in 1Q24. Based on hours received, we will track and alert you to LTPT employees who are eligible to join the plan.
- Equivalency Hours Method: In 2Q24, we will add an indicator on the plan website for you to add your LTPT employees.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Actual Hours Method

- Submit hours when submitting contributions and census to ensure our system can track LTPT eligibility dates for you.
- Provide to LTPT employees the enrollment guides we produce for them, along with required fee disclosures and notices.
- Review the updated reports as applicable to your plan: The *HRIS*, *PayrollSync*, and *Deferral Change* reports will reflect the LTPT eligibility date later in the second quarter of 2024.

Equivalency Hours Method

- To determine if your part-time employees are LTPT employees, you need to calculate if they were credited with 500-999 hours for 3 consecutive 12-month periods beginning with the 2021 plan year. See your plan document for the definition of a 12-month eligibility computation period.
- If you have LTPT employees, please update their eligibility date on the plan website (Employee tab > Employee Information).
- We will produce enrollment guides for LTPT employees; please provide these to employees, along with required fee disclosures and notices.

Additional Reminders

- Automatic enrollment: If your plan has automatic enrollment, the LTPT eligible employees who hit their LTPT eligibility date should be automatically enrolled in the plan.

- If applicable, employers should consider the pros and cons of amending their plan's eligibility requirements to avoid the application of the LTPT employee rules.
  - For example, a plan could amend eligibility service requirements to immediate eligibility or utilize elapsed time for measuring service in lieu of hours of service.
- Employers should consider before amending eligibility how other variables, including the possibility of increased employer contributions and the loss of testing exemptions, will affect their plan operations.
- Employers should consult with their TPA to discuss plan design eligibility and options that could benefit the plan.

Section 127—Emergency savings in pension-linked emergency savings accounts—401(k), 403(b), and governmental 457(b) plans

EXPLANATION

Section 127 allows plan sponsors to offer "pension-linked emergency savings accounts" (PLESAs) to non-highly compensated employees as part of their plan to help employees save for unexpected emergencies.

- Any employee who satisfies any age, service, and other eligibility requirements of the plan may contribute to a PLESA.
- Contributions to the account are limited to participant-designated Roth contributions that are either affirmatively elected or made as a result of an automatic enrollment feature with a maximum 3% auto-enroll rate and auto-increases no more frequently than annually.
- If the plan sponsor makes matching contributions to its plan, generally the employer must make matching contributions to the plan (not the PLESA) on behalf of, and at the same rate as, matching contributions made to the plan.
- The account balance of a PLESA attributable to participant contributions cannot exceed $2,500 or the amount set by the plan sponsor, if less.

This provision applies to plan years beginning after December 31, 2023.

For additional details, read **SECURE 2.0 PLESAs.pdf**.

WHAT WE ARE DOING

The administration of this provision is very complex, and a number of questions are outstanding regarding this provision.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions for your next steps.

Section 310—Application of top-heavy rules to defined contribution plans covering excludable employees—401(k) plans

EXPLANATION

Employers may now exclude employees not meeting the statutory age or service requirements (i.e., those who are under age 21 and have less than one year of service) from consideration in determining whether the plan meets the top-heavy minimum contribution requirement.

This provision applies to plan years beginning after December 31, 2023.

WHAT WE ARE DOING

Ascensus is partnering with your third-party administrator (TPA) to provide census data to assist in this determination.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Partner with your TPA to ensure employee data is accurate and the minimum contribution requirements are met.

Section 315—Reform of family attribution rule—401(k), 403(b), defined benefit and governmental 457(b) plans, SEP and SIMPLE IRAs

EXPLANATION

When determining whether certain ownership by family members is attributed to other family members for purposes of determining whether two or more companies are considered to have common ownership through a controlled group or affiliated service group:

- Community property laws are disregarded.
- If an individual's stock is not attributed to their spouse under the spousal attribution rule, then their stock will also not be attributed to their spouse under the minor children attribution rule.
- Stock in different corporations attributed to a minor child from each parent, which is also not attributed to the parents under the spousal attribution rule, will not by itself result in those corporations being considered to have common ownership.
- For affiliated service groups, wherein children attribution rules apply to a child of any age, these provisions specifically apply to a child under the age of 21.

This provision applies to plan years beginning after December 31, 2023.

WHAT WE ARE DOING

Ascensus is partnering with your TPA to provide census data to assist in this determination.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Review the corporate structure of your company to determine if and how the changes affect your company as they relate to family attribution rules.

Should you need assistance in determining potential impact, contact your TPA for assistance with this provision.

Section 501—Plan amendments for SECURE 2.0—401(k), 403(b), defined benefit, governmental 457(b) plans, and IRAs

EXPLANATION

Employer plans generally need to be amended for provisions related to SECURE 2.0 by December 31, 2026. Union plans will have until December 31, 2028, and governmental plans will have until December 31, 2029.

WHAT WE ARE DOING

Ascensus will update the recordkeeping system upon notification from your TPA.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Contact your TPA for further information on this provision.

Section 603—Requiring catch-up contributions to be Roth for certain participants—401(k), 403(b), and governmental 457(b) plans

EXPLANATION

Catch-up contributions for participants whose prior-year FICA wages exceed $145,000 (indexed) must be made as Roth contributions.

Though this provision originally applied to taxable years beginning after December 31, 2023, the IRS has provided a transition period until taxable years beginning after December 31, 2025.

For additional details, read **SECURE 2.0 Mandatory Roth Catch-Up Contributions.pdf**.

WHAT WE ARE DOING

- As additional IRS guidance is issued, we will contact plans with a catch-up provision and without a Roth feature about whether the plan will add Roth or remove the catch-up provision. Additional plan designs may be made available through additional IRS guidance.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions for your next steps.

Section 604—Treatment of employer plan contributions as Roth contributions—401(k), 403(b), and governmental 457(b) plans

EXPLANATION

Under Section 604, plan sponsors may permit participants to make irrevocable elections to receive employer matching and nonelective contributions as designated Roth contributions.

- Any such matching or nonelective contributions designated as Roth are includible in income.
- Employees must be fully vested at the time the designated Roth matching or Roth nonelective contribution is allocated to their account.

This provision applies to contributions made after December 29, 2022.

WHAT WE ARE DOING

Though the IRS has provided certain guidance, some questions on how to operate this provision remain.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions for your next steps.

Required Minimum Distribution (RMD) Provisions

Section 107—Increase in age for required beginning date—401(k), 403(b), defined benefit, governmental 457(b) plans, and IRAs

EXPLANATION

Under Section 107, the RMD age has increased to 73 in 2023, and then to age 75 in 2033 for certain plan participants.

The requirement is effective for participants aged 73 starting on January 1, 2023; aged 75 on January 1, 2033.

WHAT WE ARE DOING

- We are updating our RMD Reference Material and RMD Eligible Participants with Balances report to align with new provision requirements:
  - Updating the participant population to be those age 73 and older
- If the RMD Eligible Participants with Balances report is generated for your plan in April, July, October, and November, the email communication you receive will reflect the new SECURE 2.0 regulations
- Updating our internal processing applications to account for new RMD age
- Updating the *Required Minimum Distribution Request Form*, Distribution Notice and Federal Income Tax Withholding Reminder notice to align with new SECURE 2.0 regulations.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

- Please see "What You Need to Do as Plan Sponsor Regarding RMD Provisions" on page 18 for actions you may need to take.

Section 325—Exempting designated Roth accounts from RMDs—401(k), 403(b), and governmental 457(b) plans

EXPLANATION

Under Section 325, pre-death RMD rules do not apply to designated Roth accounts.

This provision is effective for taxable years beginning after December 31, 2023.

WHAT WE ARE DOING

- We are updating our RMD Reference Material and RMD Eligible Participants with Balances report to align with new provision requirements:
  - Updating the participant-calculated amount for the exemption of Roth accounts
    - Removal of Roth accounts in the calculation of the RMD
    - Removal of Roth distributions in satisfying the RMD remaining amount

- If the RMD Eligible Participants with Balances report is generated for your plan in April, July, October, and November, the email communication you receive will reflect the new SECURE 2.0 regulations
- Updating our internal processing applications to account for exemption of Roth accounts
- Updating the *Required Minimum Distribution Request Form*, Distribution Notice and Federal Income Tax Withholding Reminder notice to align with new SECURE 2.0 regulations.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

- Please see "What You Need to Do as Plan Sponsor Regarding RMD Provisions" on page 18 for actions you may need to take.

Section 302—Reduction in excise tax for missed RMD—401(k), 403(b), defined benefit, 457 plans, and IRAs

EXPLANATION

Under Section 302, individuals who fail to take an RMD timely will be assessed an excise tax, which is reduced from 50% to 25%. If a failure to take an RMD is corrected in a timely manner, the excise tax on the failure is further reduced from 25% to 10%.

This provision is effective for taxable years beginning after December 29, 2022.

WHAT WE ARE DOING

We are updating our RMD Reference Material and any applicable communication/documentation to align with new provision requirement.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

- Please see "What You Need to Do as Plan Sponsor Regarding RMD Provisions" on page 18 for actions you may need to take.

Section 327—Surviving spouse ability to elect to be treated as deceased participant for RMD purposes—401(k), 403(b), and governmental 457(b) plans

EXPLANATION

Under Section 327, a spousal beneficiary of a deceased employee may elect to be treated as the employee for RMD purposes. If the surviving spouse is the employee's sole beneficiary and makes this election, their distribution period is determined by a life expectancy table that will result in a smaller RMD amount.

This provision is effective for calendar years beginning after December 31, 2023.

For additional details, read **SECURE 2.0 Act Changes RMD Rules.pdf**.

WHAT WE ARE DOING

There are significant outstanding questions on the above RMD provision. While guidance may not be required to be issued for a provision under SECURE 2.0, guidance has been requested from the IRS and it is widely expected the IRS will provide it.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

- Please see "What You Need to Do as Plan Sponsor Regarding RMD Provisions" on page 18 for actions you may need to take.

Section 201—Remove RMD barriers for life annuities—401(k), 403(b), governmental 457(b) plans, and IRAs

EXPLANATION

Under Section 201, RMD rules now allow commercial annuities to provide payments that increase over time if certain requirements are met. Effective for calendar years ending after December 31, 2023.

WHAT WE ARE DOING REGARDING RMD PROVISIONS

Keeping our online reporting current and requiring receipt of the *Required Minimum Distribution Request* form for first year RMDs will ensure accurate RMD processing when annuity considerations are necessary.

WHAT YOU NEED TO DO AS A PLAN SPONSOR REGARDING RMD PROVISIONS

- Continue to keep your participant census information up to date
- Current census information is essential to ensure accurate RMD reporting to identify participants who are RMD-eligible and those who require RMDs. Ensure that each participant's required RMD information is accurate by leveraging the RMD Eligible Participants with Balances report available on the plan website
  - — When applicable, submit the *Required Minimum Distribution Request Form* or the *Distribution Due to Death Form* to ensure timely and accurate processing for participant RMDs
- Ensure timely distribution of all necessary notices to participants (see RMD Reference Material on your plan website under **News and Communications**)
- Stay informed and understand how these changes affect your participants. This guide can help and will be periodically updated to reflect the latest guidance.
- If you have asked your TPA to handle RMDs, consult with them on these items.

Distribution Provisions

Section 312—Employer reliance on employee certification for deemed hardship distributions—401(k), 403(b), and governmental 457(b) plans

EXPLANATION

Under Section 312, participants may now self-certify that a safe harbor hardship distribution is being made due to an immediate and heavy financial need, the distribution amount does not exceed the amount of need, and that they have no alternative means to satisfy the need.

This provision applies to plan years beginning after December 29, 2022.

For more information, read **SECURE 2.0 Expands Hardship Self-Certification.pdf**.

WHAT WE ARE DOING

- All plans that allow for hardship distributions have been defaulted to allow for self-certification unless we have been instructed otherwise.
- Our *Hardship Distribution Request Form* has been updated to allow for self-certification.
- During 1Q24 we will update our online experience to allow for hardship self-certification.
  - Includes ability for participants to self-certify when the hardship reason is one of the standard safe harbor reasons
  - Notification of the participants self-certification election will be provided to the plan sponsor when reviewing pending transactions for approval

WHAT YOU NEED TO DO AS A PLAN SPONSOR

If you prefer to keep, or have asked your TPA to keep, the responsibility of certifying hardship distributions, please contact your client services team, and they can walk you through the process of opting your plan out of self-certification.

Section 304—Cash-out dollar limit increase from $5,000 to $7,000—401(k), 403(b), defined benefit, and governmental 457(b) plans

EXPLANATION

When a participant separates from service, the plan sponsor may choose to distribute (i.e., force out or rollover) the participant's vested account balance without the participant's consent if the balance is under a certain dollar limit. The limit has increased from $5,000 to $7,000.

This provision applies to distributions made after December 31, 2023.

WHAT WE ARE DOING

- If your plan elected the maximum force-out limit of $5,000, as of the end of 2023, your plan was defaulted to the new maximum limit of $7,000 as of January 1, 2024.
- We have updated the Plan Site Involuntary Cash Out/Force Out screen to align with the new force-out threshold.
- Any applicable letters and or templates have been updated to account for the new limit.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

- Review your plan document maximum force-out limit with your TPA. Your TPA or you should notify your client services team if you are using an amount other than $7,000.
- Please note that our automated reports and processes will reflect and operate at the $7,000 force-out limit. If you use an amount other than this limit, you and/or your TPA will be responsible for monitoring and processing force outs at the correct limit per your plan document.

Section 602—Enhancement of hardship withdrawal rules for 403(b) plans

EXPLANATION

Section 602 has added hardship distribution options for 403(b) plans that conform to the 401(k) hardship distribution rules. The following money types, along with earnings, may be distributed for a hardship:

- contributions made pursuant to a salary reduction agreement
- qualified nonelective contributions
- qualified matching contributions

Employees are not required to take a loan before a hardship distribution is made.

This provision applies to plan years beginning after December 31, 2023.

For additional details, read **SECURE 2.0 Hardship Distributions.pdf**.

WHAT WE ARE DOING

Plan and employee websites will be updated to include earnings as eligible for hardship distributions.

Unless notified otherwise, Ascensus recordkeeping platform will be updated to include qualified nonelective and qualified matching contributions as eligible to be distributed for hardship distributions.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

If you are not updating your plans to include qualified nonelective and qualified matching contributions, have your TPA contact your client service team to remove these sources.

Stay informed and understand how these changes affect your participants. This guide can help and will be periodically updated to reflect the most current guidance.

Section 331—Special rules for use of retirement funds in connection with qualified federally declared disasters—401(k), 403(b), governmental 457(b) plans, and IRAs

EXPLANATION

Section 331 permanently permits affected plan participants to receive “qualified disaster recovery distributions” of up to $22,000 per disaster without incurring an early distribution penalty tax.

- It allows affected plan participants to recontribute qualified distributions if such distributions were to be used to purchase or construct a principal residence in a disaster area and that the principal residence was not purchased or constructed on account of the disaster.
- If permitted by your plan, qualified individuals may request a plan loan of up to $100,000 and delay loan repayments for up to one year.

WHAT WE ARE DOING

There are significant outstanding questions on the above distribution provisions. While guidance may not be required to be issued for a provision under SECURE 2.0, guidance has been requested from the IRS and it is widely expected the IRS will provide it.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions on any next steps.

Section 115—Withdrawals for certain emergency expenses—401(k), 403(b), defined benefit, governmental 457(b) plans, and IRAs

EXPLANATION

Individuals may take one distribution per year to pay for expenses related to an "unforeseeable or immediate financial need relating to necessary personal or family emergency" without incurring a 10% early distribution penalty tax.

- The amount that may be treated as an emergency distribution is determined as of the date of each distribution and is equal to the lesser of:
  - $1,000 or
  - the individual's vested account balance that exceeds $1,000
- Withdrawals for emergency expenses may be repaid within a 3-year period.
- After an individual takes an emergency personal expense distribution, no further emergency personal expense distributions are permissible during the immediately following 3 calendar years unless:
  - repayment occurs, or
  - the individual has made contributions to the plan or IRA after the previous distribution in an amount at least equal to the previous distribution that has not been repaid

This provision applies to distributions after December 31, 2023.

For additional details, read **SECURE 2.0 Penalty-Free Distributions for Certain Emergency Expenses.pdf**.

WHAT WE ARE DOING

There are significant outstanding questions on the above distribution provisions. While guidance may not be required to be issued for a provision under SECURE 2.0, guidance has been requested from the IRS and it is widely expected the IRS will provide it.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions on any next steps.

Section 314—Penalty-free withdrawals for individuals in case of domestic abuse—401(k), 403(b), governmental 457(b) plans, and IRAs

EXPLANATION

Under Section 314, plan participants who have been victims of domestic abuse may, within 1 year of the abuse, withdraw $10,000 or 50% of the participant's vested balance (whichever is less) without being subject to the 10% early distribution penalty tax. Such distributions are eligible for repayment to a retirement plan. In addition, a new, optional distributable event is created for domestic abuse situations described above for elective deferrals and employer contributions.

WHAT WE ARE DOING

There are significant outstanding questions on the above distribution provisions. While guidance may not be required to be issued for a provision under SECURE 2.0, guidance has been requested from the IRS and it is widely expected the IRS will provide it.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions on any next steps.

Section 326—Penalty exception for distributions to individuals with a terminal illness—401(k), 403(b), governmental 457(b) plans, and IRAs

EXPLANATION

Under Section 326, terminally ill individuals now qualify for a new exception to the 10% early distribution penalty tax.

- A terminally ill distribution is any distribution made to an individual who is terminally ill and is made on or after the date on which a physician has certified the individual as having a terminal illness.
- A terminal illness is when the individual's illness or physical condition can be reasonably expected to result in death in 84 months or less after the date of certification.
- Such distributions are eligible for repayment to a retirement plan.

WHAT WE ARE DOING

There are significant outstanding questions on the above distribution provisions. While guidance may not be required to be issued for a provision under SECURE 2.0, guidance has been requested from the IRS and it is widely expected the IRS will provide it.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions on any next steps.

Section 308—Distributions to firefighters—401(k), 403(b), and defined benefit plans

EXPLANATION

Under Section 308, the 10% early withdrawal penalty exception that applies to qualified public safety employees also now applies to private sector firefighters for distributions made after they separate from service if they will be at least age 50 or have 25 years of service in the year of separation.

WHAT WE ARE DOING

There are significant outstanding questions on the above distribution provisions. While guidance may not be required to be issued for a provision under SECURE 2.0, guidance has been requested from the IRS and it is widely expected the IRS will provide it.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions on any next steps.

Section 334—Distributions for purchase of long-term care contracts—401(k), 403(b), and governmental 457(b) plans

EXPLANATION

Section 334 permits employer retirement plans to distribute amounts to pay for certified long-term care insurance that do not exceed certain thresholds. In addition, distributions to pay for certain long-term care insurance are exempt from the 10% early distribution penalty tax.

WHAT WE ARE DOING

There are significant outstanding questions on the above distribution provisions. While guidance may not be required to be issued for a provision under SECURE 2.0, guidance has been requested from the IRS and it is widely expected the IRS will provide it.

We are monitoring IRS communications as they are being released. This guide will be periodically updated to reflect the most current guidance. We will contact you when we have information that requires your knowledge and/or action.

WHAT YOU NEED TO DO AS A PLAN SPONSOR

Watch for future communications from us and instructions on any next steps.

For more information, read **SECURE 2.0 Provides New Ways to Take Penalty-Free Distributions.pdf**.