

How The SECURE 2.0 Act Will Affect Your Retirement Plan - 2023 Provisions

SECURE 2.0 presents major changes to the U.S. Retirement System. Due to the volume of changes that SECURE 2.0 presents, it is important to separate out its provisions into smaller segments. The following is a high-level summary of selected provisions that were effective in **2023**.

RAISING THE AGE FOR REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

Applicable plans: 401(a), 401(k), 403(b), and 457(b) plans and traditional IRAs

The SECURE Act of 2019 increased the required minimum distribution age to 72. The new legislation expanded on this recent change and once again increased the RMD age to age 73 starting on January 1, 2023 and age 75 starting on January 1, 2033. Sentinel's systems and reports have been updated for this new provision.

SMALL IMMEDIATE FINANCIAL INCENTIVES FOR CONTRIBUTING TO A PLAN

Applicable plans: 401(k) and 403(b) plans

Previously, employers could provide matching contributions as an incentive for employees to contribute to a plan. However, immediate financial incentives (e.g., gift cards) were prohibited. Employers are now able to offer small financial incentives, not paid for with plan assets, such as low-dollar gift cards, to boost employee participation.

EMPLOYER MAY RELY ON AN EMPLOYEE CERTIFYING THAT DEEMED HARDSHIP DISTRIBUTION CONDITIONS ARE MET

Applicable plans: 401(k) and 403(b) plans (hardship withdrawals); governmental 457(b) plans (unforeseeable emergency withdrawals)

Under certain circumstances, employees are permitted to self-certify that they have had an event that constitutes a hardship for purposes of taking a hardship withdrawal. This is an optional provision effective for plan years beginning after December 29, 2022. Sentinel intends to adopt this process as a standard and is enhancing its distribution portal to accommodate.

OPTIONAL TREATMENT OF EMPLOYER MATCHING OR NONELECTIVE CONTRIBUTIONS AS ROTH

Applicable plans: 401(k), 403(b) or governmental 457(b) plan

Under previous law, plan sponsors were not permitted to provide employer matching contributions in their 401(k), 403(b), and governmental 457(b) plans on a Roth basis. The Act now allows defined contribution plans to provide participants with the option of receiving matching contributions and nonelective contributions on a Roth basis. This is an optional provision effective for plan years beginning after December 29, 2022. Due to the complexities of this provision, the retirement industry is awaiting guidance from the IRS.

Sentinel is working diligently to update our operations to comply with the SECURE 2.0 provisions that are potentially effective, but not mandatory, in 2023. However, the IRS and the DOL must provide guidance on how to administer many of these provisions. Until further guidance is provided, certain optional provisions may need to be delayed.