



SECURE 2.0 Act Modified Retirement Plan Provisions

The SECURE 2.0 Act of 2022 was signed by President Biden on December 29, 2022. The new law made sweeping changes to retirement plans. Based on these changes we want to make you aware of some items that will affect your 403(b) and 457(b) plans.



Employee Contributions

- Age 50+ catch-up made only as Roth contributions for highly paid employees – If an employee's wages in the previous year were more than \$145,000 (indexed for inflation), the employee may only contribute the age 50+ catch-up for the 403(b) and/or 457(b) plan as a Roth contribution. **(Effective for taxable years beginning after December 31, 2025.)**
- Increased catch-up contribution limits at age 60, 61, 62, and 63 – Increases the limit on catch-up contributions to the greater of \$10,000 or 50 percent more than the regular catch-up limit (\$7,500 for 2023) for individuals who have attained ages 60, 61, 62 and 63. The increased amounts are indexed for inflation after 2025. **(Effective for taxable years beginning after December 31, 2024.)**
- Eliminates the “first day of the month” Requirement for 457(b) Contributions - Previously, 457(b) plan participants were only allowed to make a deferral election in the month prior to the compensation being paid. SECURE 2.0 Act eliminates this requirement, which aligns with the 403(b) plan. **(Effective December 29, 2022)**



Participant Distributions

- **Required Minimum Distributions** - SECURE 2.0 makes numerous changes to the Required Minimum Distribution (RMD) rules. The changes include:

Increases the RMD age from 72 to 73 (effective January 1, 2023) with an additional increase to 75 (**Effective January 1, 2033**).

- Reduces the penalty for failing to take a RMD from 50 to 25 percent. This only applies to IRAs and not 403(b)'s or 457(b)'s. (**Effective for taxable years beginning after December 29, 2022**)
- Designated Roth account under a plan is not subject to RMD during the participant's lifetime. (**Effective for taxable years beginning after December 29, 2022**)
- **Hardship distribution certification** - Employees are permitted to self-certify that they have had an event that constitutes an immediate and heavy financial need, as described by IRS Regulations, for purposes of taking a hardship withdrawal. (**Our plans will adopt this provision January 1, 2024**)
- **Withdrawal for individual case of domestic abuse** - Allows a domestic abuse victim to self-certify and take a penalty-free distribution of the lesser of \$10,000 or 50% of their account balance (indexed for inflation.) (**Effective for distributions made after December 31, 2023**)
- **Withdrawal for emergency personal expenses** - Allows penalty-free one withdrawal per calendar year up to \$1,000 for an unforeseeable or immediate financial need related to necessary personal or family emergency expenses. The distribution may be repaid within 3 years and a subsequent distribution cannot be made until the repayment is completed. (**Effective for taxable years beginning after December 29, 2023**)



Enhanced Availability

- Reduces the minimum eligibility service. Individuals will be eligible as of the earlier of (1) one year of service or (2) the completion of a 24-month period consisting of two consecutive 12-month periods with 500 hours of services and attainment of age 21 by the end of the calendar year. (**Effective for taxable years beginning after December 29, 2024**)

Questions?

Retirement Plan Administration

800.462.8328 x4727

Monday - Friday: 7 a.m. - 7 p.m.

Saturday: 9 a.m. - 3 p.m.

