Plan Sponsor Guide

Guide to SECURE 2.0 for 2025

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SECURE 2.0 was enacted on December 29, 2022. Since then, plan sponsors, recordkeepers, and fiduciaries in the retirement space have been actively preparing for the changes introduced by its' over 90 provisions.

SECURE 2.0 was originally just the nickname for the culmination of three bills[1] until Congress reconciled the three bills and included the SECURE 2.0 Act of 2022 (SECURE 2.0) as Division T of a larger omnibus spending bill.[2] Building off the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act of 2019)[3], SECURE 2.0 includes the "bigger and better" provisions to expand coverage and encourage Americans to save for retirement. As of January 2025, SECURE 3.0 may already be on the horizon but until then, plan sponsors must focus on the requirements under SECURE 2.0 that require their imminent attention.

While the provisions from SECURE 2.0 were designed to enhance retirement security and in some cases make administration for plan sponsors easier, they also present challenges for plan sponsors, recordkeepers, third party administrators (TPAs), payroll providers, and participants.

In this guide…

- ✓ You will learn about the various categories of SECURE 2.0 provisions
- ✓ Plan sponsor tips and tricks for navigating through the provisions
- ✓ Key mandatory provisions for 2025
- ✓ Key optional provisions
- ✓ Considerations and opportunities for small businesses
- ✓ Action items for plan sponsors

Categories of Provisions Under SECURE 2.0

SECURE 2.0 breaks down into 6 categories of provisions:

1. **Expanding coverage and access for Americans.** Several provisions build on the SECURE Act of 2019 and seek to expand coverage to ensure that more Americans have access to a workplace retirement-savings plan. This category includes several provisions related to starting a plan and encouraging savings through automatic

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[1] The three bills were: (1) Securing a Strong Retirement Act from the House; (2) Retirement Improvement and Savings Enhancement to Supplement Health Improvements for the Nest Egg Act (RISE & SHINE Act) from the Senate; and (3) Enhancing American Retirement Now Act (EARN Act) from the Senate.
[2] See the Consolidated Appropriations Act of 2023.
[3] There were two overarching retirement policy goals from the SECURE Act of 2019: (1) expand coverage for those without access to a plan; and (2) address longevity for Americans who are living longer and need savings throughout the later years of life.

features once the plan is established. Small businesses and those starting a plan for the first time should pay special attention to these provisions.

2. **Flexibility for savers in qualified plans.** Studies show that many Americans do not have the savings to cover basic emergencies. To combat these concerns, these provisions introduce ways for participants to save in a qualified retirement plan while still saving for basic emergencies and accessing their funds if ever needed. Many of these provisions are permissive – meaning plan sponsors don't have to add them to the plan but may add them – so long as their recordkeeper and payroll provider can support the provision operationally. This category also includes the saver's match (i.e., the replacement for the Saver's Credit), which is the government's way of rewarding participants for saving.

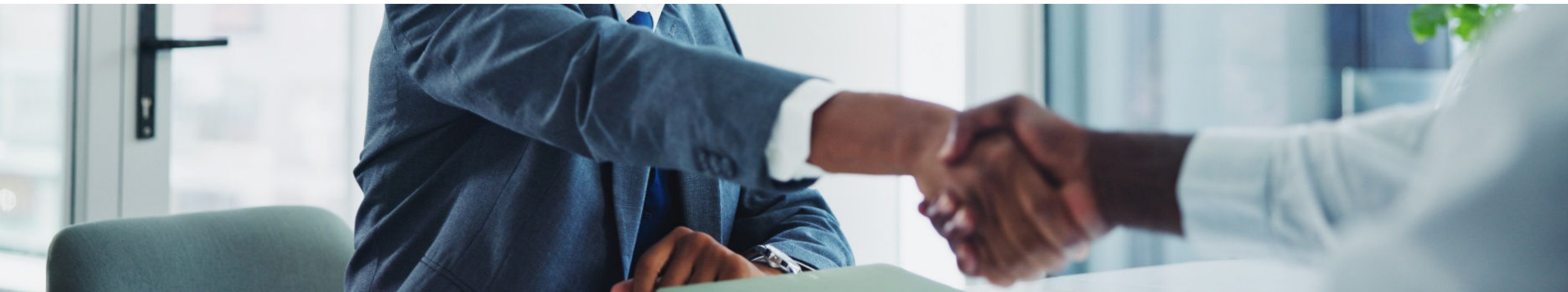
3. **Ease of administration for plan sponsors**. SECURE 2.0 includes many provisions that make administering a retirement plan more complicated, but there are some provisions in this third category that are intended to make plan administration easier. Chiefly, this category includes provisions for employers to form a single employer plan and shift liability with pooled employer plan and multiple employer plan provisions. This category includes updates to the Employee Plans Compliance Resolution System (EPCRS), which has been followed by IRS guidance clarifying inadvertent overpayments in Notice 2024-77 and broader use of the self-correction program in Notice 2023-43, for example.

4. **Addressing longevity.** One of the major themes of the SECURE Act of 2019 was addressing longevity for Americans who are living longer and need savings throughout the later years of life. That theme continues in SECURE 2.0 with the provisions in this fourth category – particularly the ability for savers to satisfy the required minimum distribution (RMD) requirements by purchasing a life annuity.

5. **Financial planning.** In addition to those provisions impacting individuals in a qualified plan, several provisions affect savers in their financial planning decisions, including changes to Roth, catch-ups and RMDs.

6. **Miscellaneous provisions.** This final category of provisions is the "catch-all" for provisions that are uniquely specific to a particular group of individuals (e.g., firefighters) or plan type.

Each of these categories contains several provisions that may be optional or mandatory. Additionally, the applicability of the provisions can vary based on plan type, number of employees, size of plan, and other factors.



What Plan Sponsors Need to Know

Navigating through the provisions can seem overwhelming. Plan sponsors should consider reviewing all provisions with a knowledgeable advisor or consultant to first determine which of the ***mandatory*** provisions apply to their plan(s). Additionally, each provision has its own effective date so understanding when the provisions must be implemented is key.

Tip*:* The IRS can impose penalties for general non-compliance with SECURE 2.0 provisions, which may include corrective actions and potential excise taxes.

Many of the provisions require enhancements to administrative and operational processes to be adopted. As such, recordkeepers and other service providers such as payroll companies are actively adapting to the SECURE 2.0 provisions to ensure compliance. It is important for plan sponsors to work with their service providers to ensure a seamless transition and to understand how to take advantage of the new provisions. This guide is focused on provisions effective in 2025.

Communication is Key!

Keeping participants informed about any changes and new opportunities brought by the provisions is important. Plan sponsors may check with their recordkeepers to determine if they will be communicating some of the provisions to participants, or if this action should be taken by the plan sponsor.

Plan Document Amendments

Many of the provisions require plan document updates. The IRS issued Notice 2024-2, which contains SECURE 2.0 guidance for plan document amendments. The Notice outlines extended deadlines for both required and discretionary retirement plan amendments:

- General Amendment Deadlines for Qualified Plans: December 31, 2026
- Amendment Deadline for Collectively Bargained Plans: December 31, 2028
- Amendment Deadline for Governmental Plans: December 31, 2029

This extension will allow plan sponsors to focus on the administration and operation of adopting the provisions while updating the plan document later! However, plan sponsors should have a process for documenting which plan amendments the plan has adopted until the formal plan amendments are made.

Coordination Between Service Providers, Advisors, Plan Sponsors, and Technology

Regardless of plan size, effective compliance with SECURE 2.0 requires coordination among various stakeholders:

- **Service Providers, including Recordkeepers and TPAs**, must update systems to handle new provisions like automatic enrollment, enhanced catch-up amounts, Roth catch-up contributions, and more.
- **Advisors and Consultants** may guide plan sponsors on the financial and administrative impacts of adopting both mandatory and optional provisions.
- **Plan Sponsors** should work closely with advisors and service providers to ensure seamless implementation and communication with participants.

Technology: Essential for tracking contributions, managing automatic enrollments, and ensuring compliance with new rules. When implementing new features, reducing manual features and leveraging technology may be helpful so long as stakeholders can work together to test in advance of "go-live."

Communicate Changes: Inform participants about new features and changes that have direct participant impact. Recordkeepers may have a plan for communicating certain provisions to participants, but plan sponsors should coordinate communication plans.

Key Mandatory Provisions for 2025

The following provisions are key in 2025. Plan sponsors should have the processes in place for these provisions, but reviewing internal controls and performing self-audits is critical to ensure proper implementation of these mandatory provisions.

- Section 101 – Automatic Enrollment and Escalation: ***New*** 401(k) and 403(b) plans will be required to use automatic enrollment (starting between 3% and 10%) and automatic escalation, with some exceptions for small businesses; the IRS issued additional guidance in Notice 2024-2 to assist with implementation
- Section 125 – Long-Term, Part-Time Employees: Employees who have completed 500 hours of service in two consecutive years must be eligible to participate in the employer's retirement plan; the IRS has issued guidance since SECURE 2.0 to clarify implementation
- Section 303 – Retirement Lost and Found Database: The DOL will establish a database to help missing participants and their beneficiaries find their benefits

Planning ahead: Pushed to 2026 from its original implementation date, high-earning participants must make their catch-up contributions to a Roth account under section 603.

Key Optional Provisions

The following provisions are optional and are not required to be implemented. Plan sponsors may be receiving communications from recordkeepers about implementing these provisions that were available in 2024 and becoming available in 2025.

- Section 109 – Catch-Up Contributions for Ages 60-63: Employees aged 60 through 63 can contribute the greater of $11,250 or 150% of the current age 50 catch-up limit
- Section 110 – Student Loan Match: Allows plan sponsors to make a matching contribution on behalf of participants in the plan who are making student loan payments; the IRS issued guidance in Notice 2024-63 to assist with implementation
- Section 115 – Penalty-free withdrawals for certain emergency expenses: This provision allows participants to withdraw from their retirement account without incurring the 10% early withdrawal penalty
- Section 127 – Pension-Linked Emergency Savings Accounts (PLESA): A special type of savings account designed to help employees save for short-term emergencies
- Section 304 – Increased limit for mandatory cash-outs: Raises the limit for mandatory cash-outs from $5,000 to $7,000
- Section 312 – Self-certification for hardship withdrawals: This provision enables participants to self-certify that they meet the requirements for a hardship withdrawal
- Section 314 – Penalty-free withdrawals for victims of domestic abuse: This provision provides financial relief to individuals in need due to domestic abuse

- Section 602 – Hardship rules for 403(b) plans: Ensures that the same hardship distribution rules apply to both 401(k) and 403(b) plans which expands sources available for hardship distributions
- Section 604 – Employer Match Options: Some plans may offer the option to receive the employer match as a Roth contribution rather than a pre-tax contribution

SECURE 2.0 and Small Businesses

Small businesses have some unique considerations and opportunities under SECURE 2.0. Many of the provisions designed for small plans can be leveraged to enhance retirement offerings and remain competitive in attracting and retaining talent.

The provisions that may be particularly impactful for small businesses include:

- Section 101 - Automatic Enrollment with Automatic Escalation: Aimed to help increase employee participation and savings rates
- Section 102 - Increased Tax Credits: Small businesses can receive enhanced tax credits for starting new retirement plans
- Section 103 - Saver's Match: Aims to boost retirement savings by providing a direct financial incentive to low- and moderate-income individuals by providing a government-funded matching contribution
- Section 106 - Access to MEPs and PEPs has been expanded, allowing small businesses to band together to offer retirement plans. This may reduce administrative burden while providing potential cost savings
- Section 121 - Starter 401(k) plans: small employers who do not currently offer a retirement plan can implement a simplified deferral-only starter 401(k) plan or safe harbor 403(b) plan. These plans have lower contribution limits and are easier to administer

Many of the provisions require resources and updates to existing processes. Small plans should take this into consideration when determining which provisions to adopt. Prioritize mandatory provisions first, as there may be penalties for not implementing them on time. Plan sponsors may consider the optional provisions based on the potential impact to the plan and participants.

An effective strategy may be to start with provisions that are easier to implement and provide significant benefits. Understanding employee demographics can also help in determining which optional provisions to prioritize. For example, if many employees have student loan debt, it could be beneficial to adopt the student loan match provision before others.

Action Items for Plan Sponsors

To comply with SECURE 2.0, plan sponsors should:

- ✓ Review and understand SECURE 2.0 to identify which provisions are required and which provisions are permissive. Additionally, determine the application of provisions based on plan size and plan type.
- ✓ For optional provisions, prioritize adoption based on capacity and resources. Not all provisions need to be adopted all at once. The plan can adopt optional provisions at any time after the effective date.
- ✓ Develop a strategy for monitoring forthcoming guidance and technical fixes from IRS, DOL, and other agency modifications.
- ✓ Identify service provider contacts and develop a plan for working together with recordkeepers, TPAs, and payroll providers. The ability to adopt some of the provisions is dependent upon the recordkeeper's ability to accommodate.
- ✓ Identify a strategy for tracking plan amendments that have been adopted by the plan until the final amendments are incorporated by the deadline imposed in Notice 2024-2.