

Bolton

Alert

DECEMBER 2019

The SECURE Act is Finally Signed into Law

After years in the making, the Setting Every Community Up for Retirement Enhancement Act (the SECURE Act) was signed into law on December 20th as part of the Further Consolidated Appropriations Act, 2020. The SECURE Act introduces many changes for plan sponsors and participants with the primary focus to encourage more retirement savings and to streamline administration.

ENCOURAGE MORE SAVINGS

To promote more retirement savings the SECURE Act:

- Increases the auto-enrollment safe harbor cap from 10% to 15%,
- Allows a non-elective safe harbor contribution amendment mid-year, with a minimum of a 4% non-elective contribution (instead of 3%),
- Provides small employer plans increased start-up tax credits (up to \$5,000) and additional automatic enrollment credits for new 401(k) plans and SIMPLE IRA plans,
- Makes previously excludable compensation for certain healthcare workers and graduate / postdoctoral students eligible compensation in 401(k) plans and/or IRAs,
- Improves the portability (rollover) of lifetime income options, and
- Allows long-term part-time workers to participate in a 401(k) plan* but still be excluded for non-discrimination testing.

STREAMLINE ADMINISTRATION

In an attempt to simplify plan administration, the SECURE Act:

- Establishes Open Multiple Employer Plans (Open MEPs) and Pooled Employer Plans (PEPs)* to combine DC plans of various employers into single ERISA plans (i.e., consolidating annual Form 5500 reporting) while no longer requiring a “commonality” of interest among the employers,
- Eliminates the 401(k) safe harbor notice requirement, and
- Provides more favorable treatment of custodial accounts on the termination of a 403(b) plan**.

OTHER NOTABLE FEATURES

The SECURE Act also:

- Increases the required beginning date for mandatory distributions from age 70½ to age 72,
- Repeals the maximum age limit (70½) that an individual can contribute to an IRA,
- Eliminates the “stretch” feature for participants of IRA, 401(k), and 403(b) plans who die after December 31, 2019, generally requiring the inherited accounts be fully drawn down within 10 years following the participant's death,
- Requires disclosure of a life annuity projection in annual DC plan benefit statements*,
- Provides nondiscrimination testing relief for certain closed defined benefit plans**,
- Provides more favorable defined benefit funding requirements for newspaper organizations**,
- Clarifies rules for individuals covered by church-controlled organizations**, and
- Increases penalties for failing to file plan returns on time.

Many of these changes become effective January 1, 2020. Those marked (*) above become effective after December 31, 2020. Those marked (**) became effective immediately upon the date of enactment or with a retroactive effective date. Under this legislation, most plans will have until the end of the 2022 plan year to adopt conforming amendments; government and collectively bargained plans may have the remedial amendment period extended until the end of the 2024 plan year.

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Please contact Christy Yeager at 667-218-6929 or Jim Ritchie at 443-573-3924 to better understand how this legislation might impact your organization.