



Secure 2.0:

*Game-Changing Strategies and Compliance for
Employer-Sponsored Retirement Plans*

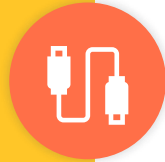
August 22, 2024



A few things before we get started:



Questions? We will be answering questions throughout the presentation. Feel free to chat-in your question. We will try to get to as many questions as we can.



Technical Issues? Use the chat function to let us know about any technology/sound issues.



We want your feedback! A short survey will be sent out after the session, along with the recording. Please help us make these sessions even better in the future.

Meet the Presenter



Phil Troyer

Senior Counsel, OneDigital Investment Advisors

Phil has been a recognized thought leader in the 401k space since becoming General Counsel of National Retirement Partners in 2009. Phil joined Resources Investment Advisors (k/n/a "OneDigital Investment Advisors") as its Chief Compliance Officer in 2013 and, since that time, the firm has grown from under \$2B in AUM to over \$100B. He earned a B.S. in Political Science from DePauw University and a J.D. from Indiana University, as well holding FINRA Series 7, 24, and 63 licenses.

Meet the Presenter



Leah Davis, CPA

Partner, Abdo

Since joining the Abdo in 2016 after owning her own consulting practice for nearly 10 years, Leah has helped employers find creative ways to overcome HR and payroll challenges. Whether it's developing a motivating employee performance evaluation program, implementing an integrated HR/payroll system, or designing strategies to improve engagement, Leah and her team seek what's best for both the organization and its people.

SECURE 2.0

What was the point?

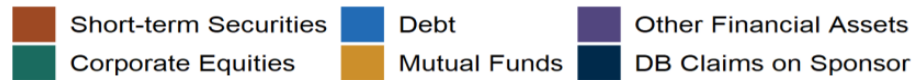
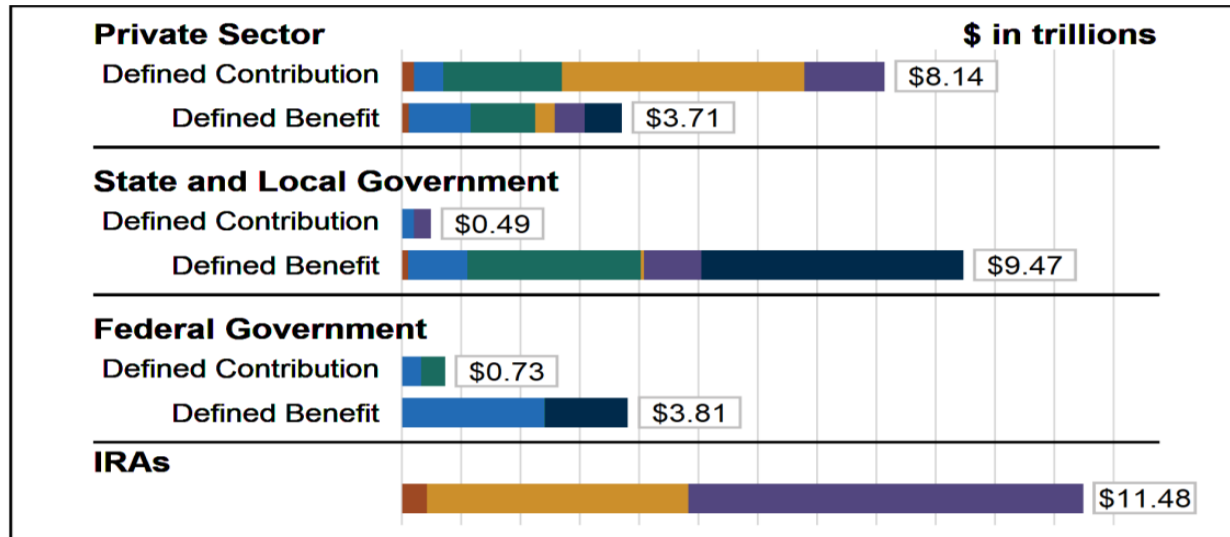
ERISA at 50



ERISA was signed into law in 1974

- Enacted in response to failure of corporate pension plans to keep promises made to workers.
- Does not require any company to offer a retirement plan to its workers.
- Imposes strict requirements (fiduciary standards) on companies that do offer retirement plans.

Americans currently hold approximately **\$38 trillion** in retirement plan accounts.





So, what's the problem?

Approximately half of American workers do not have access to an employer-sponsored retirement plan.

- Workers who have access to an employer sponsored retirement plan are **15 times** more likely to save for their retirement than those who do not have access.
 - Individuals working for small companies and gig economy workers are most at risk of not having access to a retirement savings plan.
- In addition, though, with many low and moderate income workers living paycheck-to-paycheck, too many workers do not feel as if they can afford to contribute to their retirement or fear they will be able to respond to a financial emergency.



Enter SECURE 2.0

Bi-partisan attempt by Congress to broaden participation in employer-sponsored retirement plans by:

- Providing incentives for small employers to provide a retirement plan to their workers.
- Reducing administrative burdens on plan sponsors.
- Providing incentives for low and moderate income employees to participate in their company's retirement plan.
- Eliminating barriers for low and moderate income employees to participate in their company's retirement plan.

Provisions designed to encourage small employers to adopt plans.

Enhanced tax credits for new (small plans)

- Start Up Credit
 - Companies with 50 or fewer employees:
 - 100% tax credit for plan costs (\$5,000 annual max) for the first three years
 - Credits also available for plans joining MEPs and PEPs
- Employer Match Credit
 - Companies with 100 or fewer employees:
 - 100% tax credit for employer contributions (\$1,000 per participant making \$100k or less) for first year
 - Phased out by 25% over the next 3 years

Provisions designed to encourage small employers to adopt plans.

Provisions to simplify plan administration

- Starter 401(k) Plans
 - Deferral only safe harbor plan
 - No ADP or top-heavy testing
 - Auto-enrollment (at least 3%)
- Safe harbor for correcting auto-enroll and auto-escalation errors made permanent
- Employers can rely upon employee certification of hardship distribution eligibility
- Elimination of disclosure requirements for non-participating employees
- Elimination of 10% penalty on corrective distributions for excess contributions
- Elimination of trust-level audits for groups of plans with 100 or less participants
- Increase cash-out amounts from \$5k to \$7k

Provisions designed to encourage workers to participate in employer plans.

- **Incentives to participate**

- Auto-enrollment required for new plans
 - 3% contribution required with auto-escalation to 10% (15% max)
 - Small businesses with 10 or fewer employees, companies in business less than 3 years, and SIMPLE plans exempt
- Saver's Match (effective 2027)
 - 50% match up to \$2k per participant
 - Participants no tax liability still eligible for match (previously tax credit)
 - Phased out for individual filers earning \$20k-35k, \$41k-71k for joint filers

- Employers permitted to offer small financial incentives
- Increased catch-up contributions for older workers
 - Indexed for inflation
 - Increased to \$10k or 150% of base catch-up for participants who are 60-63.
- Optional Roth treatment for employer matching and non-elective contributions
- Extension of age for taking required minimum distributions (73 if born before 1960, 75 if born after)

Provisions designed to encourage workers to participate in employer plans (cont.)

- **Elimination of barriers to participation**
 - Student Loan Matching Program
 - Distributions for emergency expenses
 - \$1k annually without penalty
 - Must be repaid within 3 years before another distribution allowed
 - Pension-Linked Emergency Savings Accounts ("PLESAs")
 - Employers adopting PLESAs must auto-enroll at 3% with \$2500 cap
 - Must be matched the same as 401(k) contributions
 - PLESAs are after-tax (Roth) contributions
 - and can be distributed any time.
 - HCEs cannot participate
 - Penalty-free withdrawals
 - Victims of domestic abuse - \$10k maximum
 - Victims of natural disasters - \$22k maximum (also increased loan limit to \$100k)
 - Increased eligibility for long-term, part-time workers
 - Employees eligible if they have worked at least 500 hours for three consecutive years (beginning 2024)
 - Reduced to two consecutive years (beginning 2025)

Proposals designed to require employers to offer retirement plan to workers.

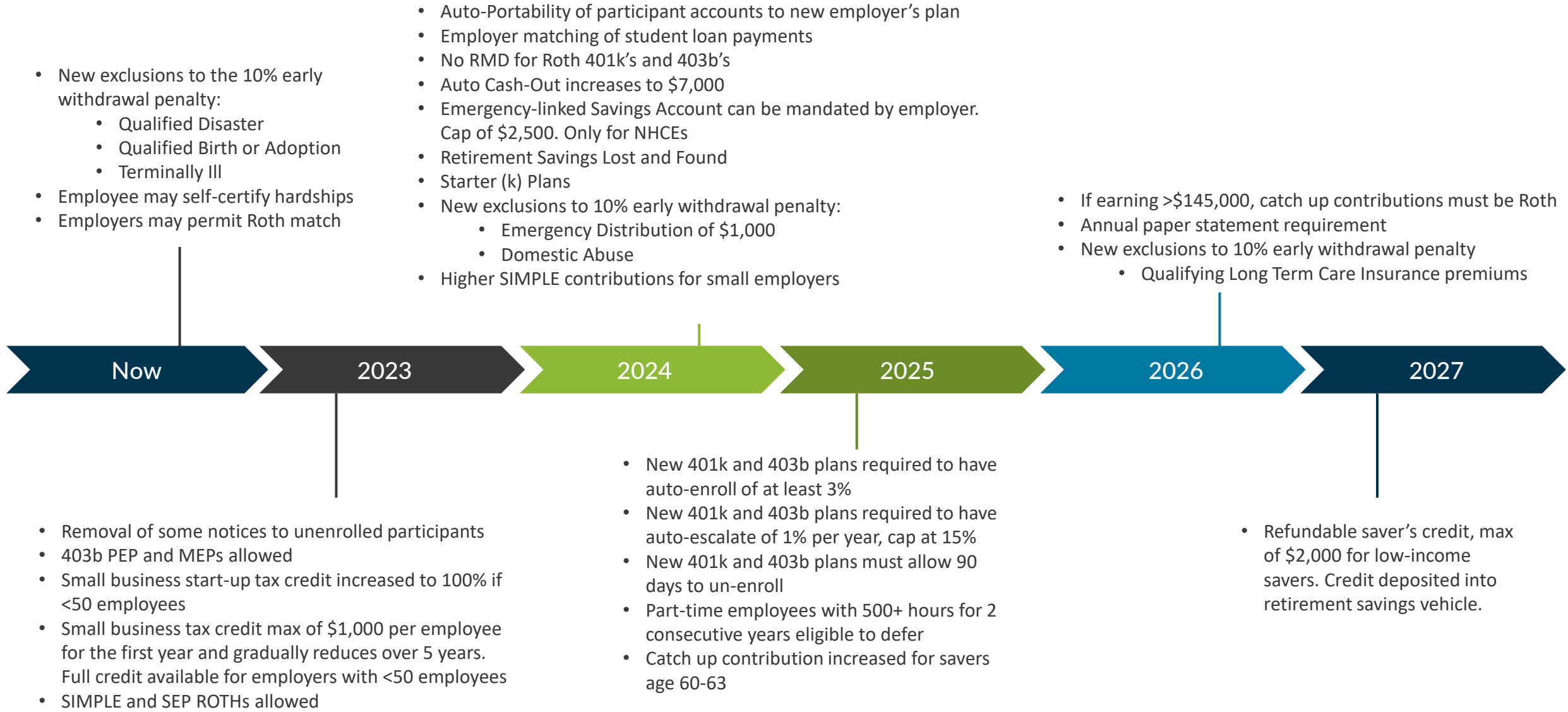
- **Auto-IRA bill**

- Would require companies with 10 or more employees to offer some type of retirement plan
 - Minimum requirement would be auto-IRA
 - Similar to (and would work with) requirements in 15 states
 - Supported by National Association of Plan Advisors (NAPA)

- **Retirement Savings for Americans Act**

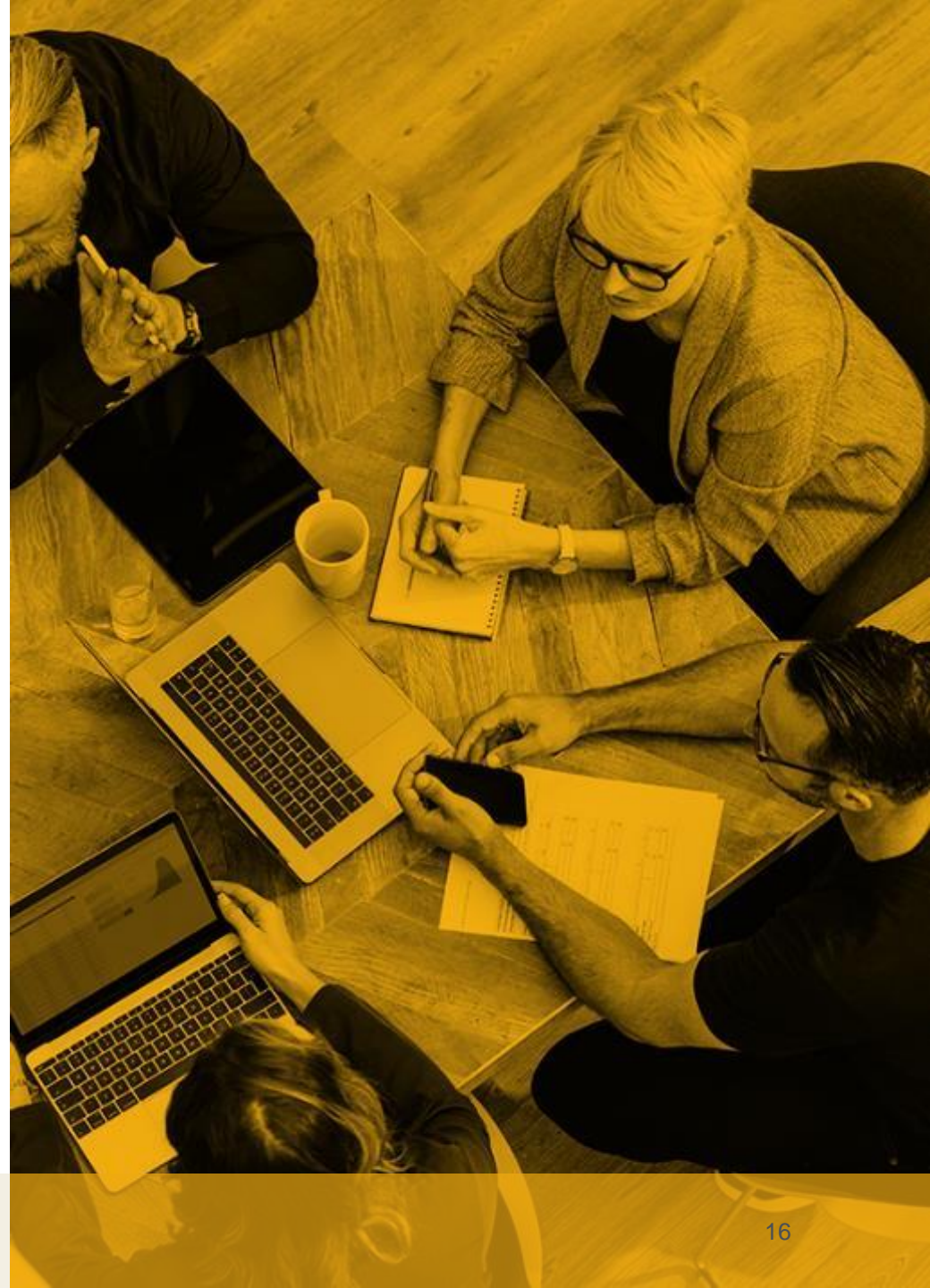
- Would create the American Worker Retirement Fund for workers who do not have access to employer-provided plans
 - Managed by federal government
 - Federal government would also providing 4% match, paid for by reduction of tax credits for employer-sponsored plans
 - Would likely eliminate most private and state retirement plans
 - Opposed by NAPA

SECURE 2.0 IMPLEMENTATION TIMELINE



401(k) Plan Management Essentials

- Expect real service from 401(k) specialists and advisors
- Ensure enrollment and eligibility compliance (auto enrollment)
- Be diligent about plan admin – especially for termed employees
- Keep close tabs on headcount – audit requirement
- Consider plan design options (student loans, auto-escalate, etc.)
- Train benefit staff to take ownership for compliance



QUESTIONS?



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