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SECURE 2.0 Grab Bag Highlights

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The IRS recently released long-awaited guidance under SECURE 2.0 in the form of a "grab bag" notice — **Notice 2024-02**. This article summarizes a few of the higher interest items addressed in the notice.

- **Amendment effective dates:**
  Amendments related to SECURE 2.0 — including those related to both required and discretionary plan changes — must be adopted by the following dates.

Qualified Plans	Nongovernmental plans: December 31, 2026. Applicable collectively bargained plans: December 31,2028. Governmental plans: December 31, 2029.
403(b) Plans	Non-public school plans: December 31, 2026. Applicable collectively bargained plans: December 31, 2028. Public school plans: December 31, 2029.
457(b) Plans	Tax exempt nongovernmental plans have **no extension**: December 31, 2025. Governmental plans: generally December 31, 2029.
IRAs	Generally December 31, 2026.

- **Financial Incentives for Participation:**
  As you may remember from a previous newsletter, SECURE 2.0 permits plan sponsors to provide *de minimis* financial incentives to participants to encourage plan participation. The notice provides some additional guidance. It clarifies that incentives of $250 or less will be *de minimis*. This is a cumulative limit, and can be provided in installments contingent on the employee's continued deferral (for example, a plan sponsor could provide a $100 incentive at the time of enrollment and a $50 incentive for each of the following three years if the participant is still deferring). However, the financial incentive may be offered only to employees that would be new plan participants — meaning, only to employees who do not have an existing election to defer. Therefore, the incentives cannot be used for participants who have been automatically enrolled or to incentivize participants to increase existing elections. Finally, the notice confirms the incentives are subject to the same tax, withholding, and reporting requirements that would apply to any other employer- provided fringe benefit.

- **Terminal Illness Distributions:**
  The notice confirmed that terminal illness distributions are not separate distribution rights — meaning that a participant who qualifies must also be eligible for another permissible distribution from the plan. When processing distribution requests, plans are not required to determine whether the individual applying for the distribution also qualifies as terminally ill. This means, for example, that if a participant takes a hardship distribution from the plan, the plan administrator does not have a duty to inquire as to whether the participant is terminally ill and therefore exempt from the 10% tax on that distribution. The individual may claim the exemption from the 10% penalty by reporting their distribution as a terminally ill distribution on their Form 1040.

Clients may be anxious to know when amendments are due and whether they should take advantage of some of the optional provisions in SECURE 2.0 (including incentives for participants and terminal illness distributions). Now is a good time to reach out and let them know you are thinking of them! Your TPA partner can help in these conversations as clients make decisions for future plan operations.

REMINDERS

- **May 15, 2024:** General deadline for participant-directed defined contribution plans to provide participants with quarterly benefit statement and statement of plan fees and expenses.
- **June 28, 2024:** Deadline for calendar year plans with publicly traded employer securities to file their Form 11-K annual report.
- **June 30, 2024:** Deadline for corrective distributions to HCEs for failed ADP/ACP tests.