



## SECURE 2.0 BECOMES LAW: ASC HAS YOUR BACK!

On December 29, 2022, the SECURE 2.0 Act of 2022 (SECURE 2.0) became law! This legislation may have the most sweeping impact on retirement plans, plan sponsors and service providers of any law since the passage of ERISA in 1974. Provisions of SECURE 2.0 affect defined contribution, defined benefit, 403(b) and 457(b) plans. As a result, plan sponsors and their service providers will need to assess needed changes and opportunities for their retirement plan documents and support systems.

With over 90 provisions, SECURE 2.0 has a broad impact. Among the more impactful provisions of SECURE 2.0 are:

- Mandatory automatic enrollment for new 401(k) plans
- A new safe harbor “Starter 401(k) Plan” option for employers without a plan
- Significant changes to the required minimum distribution (RMD) rules, including an increase in the age for beginning RMDs
- Saver’s credit replaced by saver’s match that will be deposited directly into participants’ accounts by the Treasury Department
- Modifications to the long-term, part-time employee rules
- Increased catch-up contribution limits for employees who are ages 60 - 63
- New options for Roth matching and employer contributions
- Changes to compliance testing rules relating to family attribution and top-heavy testing
- An option for 401(k) plan sponsors to match student loan payments
- New plan distribution events for domestic abuse victims, long-term care premiums, and family emergencies
- Changes affecting 403(b) plans, including hardship rules, the ability to use collective investment trusts and 403(b) MEPs and PEPs

### HOW IS ASC APPROACHING THE IMPLEMENTATION OF SECURE 2.0?

Rest assured, ASC’s teams are well prepared to assist service providers in addressing the various aspects of SECURE 2.0. Our expertise with plan documents, compliance testing, plan administration, Form 5500s, plus software design and implementation make ASC well positioned to implement the necessary modifications. ASC’s robust and flexible systems are designed to readily expand to accommodate changes in the law. In anticipation of the enactment of SECURE 2.0, ASC has been assessing the impact on various products and systems for some time. Now that the law is official, ASC can finalize system modifications as SECURE 2.0 provisions become effective.

SECURE 2.0 impacts most of ASC’s products - DGEM Plan Documents and Form 5500s, Compliance Testing, Defined Contribution/401(k) Administration, and Defined Benefit Administration. ASC will timely modify these products to ensure compliance and ease plan administration. Because aspects of SECURE 2.0 cross the various ASC products, ASC coordinates its implementation so that the systems work together. Here are some of the highlights of how the ASC product lines are approaching implementation of SECURE 2.0:

#### DGEM Plan Documents

Over 40 provisions in SECURE 2.0 will require some form of plan amendment to 401(k), defined contribution, defined benefit, 403(b) or 457(b) plans. For plan document-related provisions, some are mandatory and others are discretionary. While SECURE 2.0 provides an extended deadline – generally the end of the 2025 plan year – for employers to adopt mandatory and discretionary amendments, operational compliance with the new provisions is required as soon as a provision becomes effective or when an employer chooses to adopt a discretionary amendment.

ASC is developing comprehensive Operational Checklists to assist in documenting employer decisions relating to SECURE 2.0. ASC will provide separate Operational Checklists for defined contribution/401(k) plans, defined benefit plans, 403(b) plans and 457(b) plans. These Operational Checklists will help Plan Providers document plan design and operational decisions that will ultimately be incorporated into the formal plan document when amended.

**ASC Insight:** While many aspects of the law are effective immediately, some provisions become effective over the coming years. Plan sponsors and service providers should focus first on the provisions that become immediately effective or will be effective for the next plan year or taxable year.

For mandatory provisions, such as changes to the RMD rules, plan sponsors will need to comply with the law as soon as they become effective. For discretionary provisions, plan sponsors will need to determine if and when they want to change their plan designs (e.g., add the new distribution options to their 401(k) plans).

[Click here for a table listing most of the SECURE 2.0 provisions and their effective dates.](#)

**ASC Insight:** Like we have experienced with the SECURE Act (i.e., SECURE 1.0), we do not expect significant SECURE 2.0 guidance from the IRS or the Department of Labor for some time. Of course, the lack of guidance puts service providers and plan sponsors in a quandary in how to best implement law changes. Generally, we recommend taking a reasonable, good-faith approach to interpretation of any particular provision and to stay vigilant for future IRS and DOL guidance.

Under the statute, the plan amendment deadline for SECURE 2.0-related provisions generally is the end of the 2025 plan year, with governmental plans getting an additional two-year extension. The law allows the IRS to announce further extensions of the plan amendment deadlines. IRS may do this, like it did for the CARES and SECURE Act, particularly if it does not provide timely guidance.

### DGEM Forms 5500

Generally, the IRS and Department of Labor modify the Form 5500 to reflect law changes. ASC will modify its Form 5500 DGEM system at the appropriate time. We expect some changes beginning with 2023 forms, and more each year thereafter. Once finalized for plan years beginning after January 31, 2023, modifications will also be made to the Annual Funding Notice for defined benefit plans for 2024.

### Defined Contribution/401(k) Administration and Compliance Testing

The DC/401(k) Administration and Compliance testing changes are extensive. Plan documents may need to be amended to take advantage of these new changes, but the systems are either already capable of handling these or will be modified prior to their effective dates.

**Immediate:** The provisions with more immediate effective dates are handled within the current system:

- Multiple Employer 403(b) Plans
- Increase in the age for beginning RMDs
- Military spouse to receive match and nonelective employer benefits
- Recovery of retirement plan overpayments
- Retroactive first year elective deferrals for sole proprietors
- Special rules for use of funds in connection with qualified federally declared disasters
- Optional treatment of employer matching or nonelective contributions as Roth contributions (may require some manual adjustments currently)

SECURE 2.0 modifies rules applicable to long-term part-time (LTPT) employees that were originally included in SECURE 1.0. One major (and welcome) change is that 401(k) plans will only need to count vesting years of service for LTPT employees beginning in 2021 (i.e. pre-2021 service is disregarded). This vesting service crediting rule now matches the eligibility service crediting rule applicable to LTPT employees. This change will be reflected in the Spring 2023 system release. Other changes to the LTPT employee rules include a reduction in the number of years of service (from three to two) needed for LTPT employees to participate in a 401(k) plan and the imposition of the LTPT employee rules on 403(b) plans. (Please refer to the Effective Dates Table for details on the effective dates for these provisions.)

**ASC Insight:** As it was with SECURE 1.0, so it continues with SECURE 2.0. While some modifications to the LTPT employee rules are clear, such as the service counting rule for vesting, other changes, such as the reduction from three years to two years for LTPT employee eligibility, have created more confusion. In the ASC systems, the most important task is to continue to enter all employees in the system, along with

all their annual hours. With that information, the system will be able to calculate the LTPT employees. For those plans that are recordkeeping on other systems, but use ASC Compliance Testing, the calculated LTPT employee indicator in the system may be overridden if accurate hours are not in the system.

**1-2 Years:** Many of the provisions effective for taxable, plan or distribution years after January 31, 2023 but before December 31, 2024 will require extensive system enhancements:

- Withdrawals for certain emergency expenses
- Treatment of student loan payments as elective deferrals for purposes of matching contributions
- Starter 401(k) plans for Employers with no retirement plan
- Emergency savings accounts linked to individual account plans
- Updated dollar limit for mandatory distributions
- Application of top heavy rules to defined contribution plans covering excludable employees
- Reform of family attribution rule
- Elective deferrals generally limited to regular contribution limit (Catch-ups reclassified to Roth)

Other provisions, including SIMPLE plan contribution changes, withdrawals for domestic abuse, and hardships for 403(b) plans may already be coded in the system. RMD provisions related to Roth accounts and surviving spouse elections may also be handled under the current system.

**Greater than 2 years:** For provisions effective with taxable or plan years beginning after December 31, 2024 or later, several will require system enhancements:

- Saver's match
- Higher catch-up limit to apply at age 60-64
- Improving coverage for part-time workers (LTPT)
- Long-term care contracts purchased with retirement plan distributions

Provisions mandating Automatic Enrollment and providing paper statements in certain cases are already part of the system's existing functionality.

### Defined Benefit Administration

SECURE 2.0 has many changes that impact defined benefit plans. Several DC provisions identified above also apply to defined benefit plans, including RMD changes, updated dollar limit for mandatory distributions and providing paper statements. Additional provisions apply to defined benefit plans only and will require ASC DB valuation system changes, which are listed below. These lists do not include all provisions that affect defined benefit plans.

**Immediate:** The following provisions of SECURE 2.0 generally have immediate effective dates:

- Variable Interest Crediting Rate capped at 6% for Cash Balance Plans
- Lump Sum Participant Notices and PBGC/Department of Labor Lump Sum Reporting

**1+ Years:** The following provisions of SECURE 2.0 have effective dates for plan years beginning in 2024 and 2025:

- PBGC Variable Rate Premium is no longer indexed for years beginning after 2023
- Capped Generational Mortality Improvement Factors for valuation dates after December 31, 2023

**ASC Insight:** The ASC DB valuation system is already capable of handling many of the SECURE 2.0 provisions that impact defined benefit plans. While most of these SECURE 2.0 provisions do not require ASC Valuation software enhancements, the changes to PBGC variable premium rate indexing and cap on mortality rate improvement factors will be included in ASC, once published, in our regular software updates. Required Minimum Distribution reports and lump sum reporting will be reviewed for enhancing once more details are known.

### PensionPal and CATTs CRMs

ACS's CRMs, CATTs and PensionPal, are already designed to handle the tracking necessary for the implementation of SECURE 2.0. The CRMs will be enhanced to integrate with the key provisions from the Plan Documents, Compliance and Administration systems.

### NEXT STEPS

SECURE 2.0 presents tremendous opportunities, as well as compliance risks, for plan sponsors and plan participants. Service providers will need to become familiar with this comprehensive law and determine an approach that works for them and their clients. ASC will keep you informed along the way.

On January 19, 2023, ASC will present a free 90 minute webcast on SECURE 2.0 and how ASC will implement the appropriate changes to its products. [Click here to register for the webcast!](#) Join us to learn some of the important aspects of SECURE 2.0 and how you can use ASC to assist you and your clients.

**ASC Webcast – SECURE 2.0: ASC Has Your Back!**  
Date: Thursday, January 19th, 2023  
Time: 2 p.m. Eastern, 90 minutes  
**Registration details:** The webcast will provide 1 CE credit for the 50-minute period while the law is discussed, with the remainder of the time covering anticipated system changes.

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