



## New DOL Guidance on Pension-Linked Emergency Savings Accounts

As of January 1, 2024, retirement plan sponsors can include such emergency savings accounts inside of their retirement plans.

The guidance provides important clarification on the administration of these emergency savings accounts, including the following:

1. Employees must be eligible to participate in a plan's PLESA if they meet any other eligibility requirements of the plan, such as age or service, and if they are not a highly compensated employee. For example, if a plan excludes collectively bargained employees, those employees can be excluded from participating in the PLESA as well.
2. Automatic enrollment can be used for a PLESA. Also, if there is an auto-enrollment percentage of pay, it must be 3 percent or less.
3. There can be no minimum contribution or balance requirement to open a PLESA. However, a requirement for whole-dollar contributions can be implemented.
4. If the plan requires whole percentages of pay when making other types of plan contributions, that requirement can be applied to PLESAs as well.
5. Contributions cannot be pre-tax. They must be Roth.
6. Earnings do not need to be included in the \$2,500 PLESA account balance limit. However, plan sponsors can opt out of a lower account balance limit or can impose a \$2,500 limit that is inclusive of earnings. There is no separate annual contribution limit.
7. Funds can be replenished up to the \$2,500 limit (or a lower limit imposed by the plan) after a withdrawal.
8. The same remittance timing rules that apply to elective deferrals apply to PLESA contributions.
9. PLESA participants can withdraw funds for any reason. They do not need to prove an emergency to do so.
10. Distributions must be permitted once each calendar month.
11. The first four distributions per plan year are fee-free. Plan sponsors are not permitted to charge fees for subsequent withdrawals that would have the effect of making up for missed fees



collected on the first four withdrawals.

12. PLESA investments are limited to cash or cash-like accounts that do not have any liquidity constraints, including surrender charges.
13. Sponsors must issue disclosures to all participants of a plan that offers a PLESA, including participants who elect not to participate. This disclosure can be combined with other required disclosures in the form of a *consolidated notice*. There is no model language yet, but the DOL may provide language in the future.
14. Account statements are not required to include PLESA account balances, nor are 404(a)(5) investment disclosures required to reflect PLESAs. However, we expect many recordkeepers will voluntarily provide such information.

This guidance may be helpful to plan sponsors who are deciding whether to offer a PLESA, a standalone emergency savings account outside of the retirement plan, or both.

Still, some significant questions remain unanswered, including whether emergency savings account contributions are subject to annual deferral percentage (ADP) testing and whether non-ERISA plans can maintain PLESAs.

Plan sponsors who have questions about this or other SECURE 2.0 provisions should reach out to their financial advisor or visit CAPTRUST's dedicated [SECURE 2.0 Act web page](#).

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