



## SECURE 2.0 Opportunities for Plan Sponsors

Since the SECURE 2.0 Act passed into law at the end of 2022, retirement plan sponsors have been inundated with information about its provisions, timeline, and potential impacts. Now that they have a better understanding of when key provisions will become available and which are required versus optional, some plan sponsors have put SECURE 2.0-related decisions on the back burner. After all, the act demands no urgent action by plan sponsors at this time, and service providers will likely put necessary to-do lists in plan sponsors' hands as each required provision becomes effective.

But for optional provisions, it's a different story. Without clear demand, many recordkeepers and service providers may opt not to offer these provisions at all—or may offer them with a queue for implementation to sponsors who have already expressed interest. As providers determine what they will build and how they will roll out each individual offering, it's not unreasonable to expect that some products and services will be available to a small group of plan sponsors before others. Those who express early interest may be more likely to be included.

That's why it's important for plan sponsors to proactively determine their workforce and organizational appetite for optional features. Some optional pieces will be easier to integrate than others. Regardless, plan sponsors who start discussions early will be better equipped to move faster once any necessary regulatory guidance is released and recordkeepers are ready to go forward.

### Communicating Interest

Although some provisions became retroactively effective when the act passed into law, the majority of SECURE 2.0 changes become available or required in planned stages at the end of the calendar year from 2023 to 2033. Since many new provisions will require a plan amendment, it's wise for

sponsors to work proactively with their advisors and service providers. Although 2024 or 2025 may feel far away for plan sponsors, these deadlines feel closer for service providers.

“Providers are already in different stages of development for rolling out these changes,” says [Dawn McPherson](#), CAPTRUST director of retirement plan consulting. “Some are ready to hit the ground running; they’ve been developing these products for years already. But others still aren’t sure what they will build or when it will be available.” Many providers plan to rely on outside partners to expand their capabilities.

For most of SECURE 2.0’s optional provisions, implementation will be demand driven. That is, service providers are likely to develop things in order of need, depending on how much interest they’ve seen from the plan sponsors they support. And when they do, there could be a corresponding waitlist for implementation.

“If you’re one of the first people to tell your provider, ‘Hey, this particular provision is really important to our organization,’ and you make a point to keep checking on their development, then you’re more likely to be offered access to that service if things start to back up,” says McPherson.

Having plan design conversations before they’re truly necessary will help plan sponsors understand their providers’ priorities and capabilities and make sure they’re aligned.

## **Optional Provisions in SECURE 2.0**

Of the many optional provisions included in the act, a few are gathering the most attention. These may be good starting points for plan sponsors who are looking to make early decisions. One is the provision that student loan payments may be considered as elective deferrals for the purpose of matching contributions. To participate, employees must make student loan payments; they can self-certify that they are making such payments.

Although this is an optional provision, student loan matching has been a hot topic in the media and may be an attractive benefit to the millions of American workers who have student debt. This includes young graduates who may be new to the workforce, those who returned to school after the traditional college age, and seasoned professionals who pursued new degrees or certificate programs to expand their skill sets. Media conversations say student loan matching could have positive impacts on both recruiting and long-term employee retention.

“Early indications are that many plan sponsors want to offer student loan matching and consider it a part of creating an attractive benefits package,” says [Jennifer Doss](#), defined contribution practice leader at CAPTRUST. “We’re likely to see student loan matching become available from all the major recordkeepers, but probably not all at the same time.”

Another optional provision plan sponsors are likely to consider: one that gives participants the option to receive employer-matching and other non-elective contributions as Roth. The important piece to understand here is how optional Roth-related SECURE 2.0 changes connect to required Roth-related



provisions.

For instance, SECURE 2.0 removes the option for pre-tax catch-up contributions and, instead, requires catch-up contributions to be made to Roth accounts if the plan participant earns \$145,000 or more. This means plan sponsors who currently offer catch-up contributions but do not offer Roth contributions will need to add a Roth contribution feature or eliminate the plan's catch-up contribution feature altogether. The second option seems unlikely for most sponsors since employees appreciate and often take advantage of the catch-up option.

"If you know you're going to have to add a Roth option, it may be a good idea to go ahead and investigate what would be necessary to allow Roth employer contributions and whether that's of interest," says Doss. "Those that already offer Roth may consider adding other related features, such as in-plan Roth conversions, potentially even in lieu of the Roth employer contribution option."

Another, perhaps less talked-about, provision allows for the creation of pension-linked emergency savings accounts. Put simply, this provision says employers may automatically enroll participants into an emergency savings account at up to 3 percent of the person's annual salary for a total contribution amount of \$2,500.

"Contributions to this account would be made as Roth—it would function like an in-plan sidecar account," says Doss. "Employees would be able to save for emergency expenses within their existing retirement accounts."

Although some plan sponsors have asked questions about this provision, it is too early to tell whether most will offer it. There are still several questions about administration and concerns over potential employee abuse given that contributions to the sidecar account would qualify for any existing employer match, but employees can take withdrawals from the account penalty-free at least once a month.

However, there is another provision in SECURE 2.0 that addresses emergency savings in a simpler way with a \$1,000 penalty-free withdrawal option. "This may end up being a more popular way for plan sponsors to help their employees with emergency savings needs," says Doss.

Other optional withdrawals for consideration include withdrawals for federal disasters, domestic abuse, and terminal illness.

What's important is that plan sponsors are doing the work now to understand various optional provisions so they can make informed decisions later. "Of course, you don't need to decide on every detail immediately, but if you can make just one or two decisions and communicate those choices to your service providers, you'll likely see better outcomes," says Doss.

## Plan Design Review

The recommended practice is to review and update your retirement plan design every three to five



years, but it is common for plan sponsors to wait much longer. “Regardless of how long it has been since your last plan design update, integrating SECURE 2.0 creates an opportunity to reinvent your plan and make sure it’s really the best it can be,” says McPherson.

For example, plan sponsors who don’t already have auto-enrollment and auto-escalation features in place may choose to add them. Both have been proven to increase participation and improve participant outcomes. Under SECURE 2.0, they’ll be required for new plans but remain optional for existing plans. This could create a competitive disadvantage against existing plans.

Plan committee members should consider which key features might be missing from their plans that can bring them into the future. “This is an opportunity to unfold your plan design and ask, ‘Does this really work for our employees for the next 10 years or more? And if not, how do we want to change it?’” says McPherson. “If you don’t have automatic enrollment and automatic escalation, or you don’t have Roth, or you don’t offer partial withdrawals, now is the time to ask yourself, ‘Why not?’”

While it’s tempting simply to follow the timeline of what SECURE 2.0 requires, those who invest time and attention now to make even just a couple of decisions are likely to see better results. “There are so many small decisions to be made,” says Doss. “And, for most of the plan sponsors we work with, this is not their only job, and this is not their primary focus. Unpacking these provisions can feel overwhelming.” It may help to remember that there will be time between initial discussion, decision-making, and implementation.

For plan sponsors, integrating SECURE 2.0 creates a unique opportunity to review existing plan design and make changes that better align with both the organization’s values and its employees’ needs and goals. As Doss says, “You might not have the answers yet. But it’s important to get started.” That might mean working with a financial advisor to determine what’s most important or creating regular check-ins with recordkeepers and service providers. Doss’s advice: “Pick what’s most important to you. Focus on that one thing first, and dig in.”