

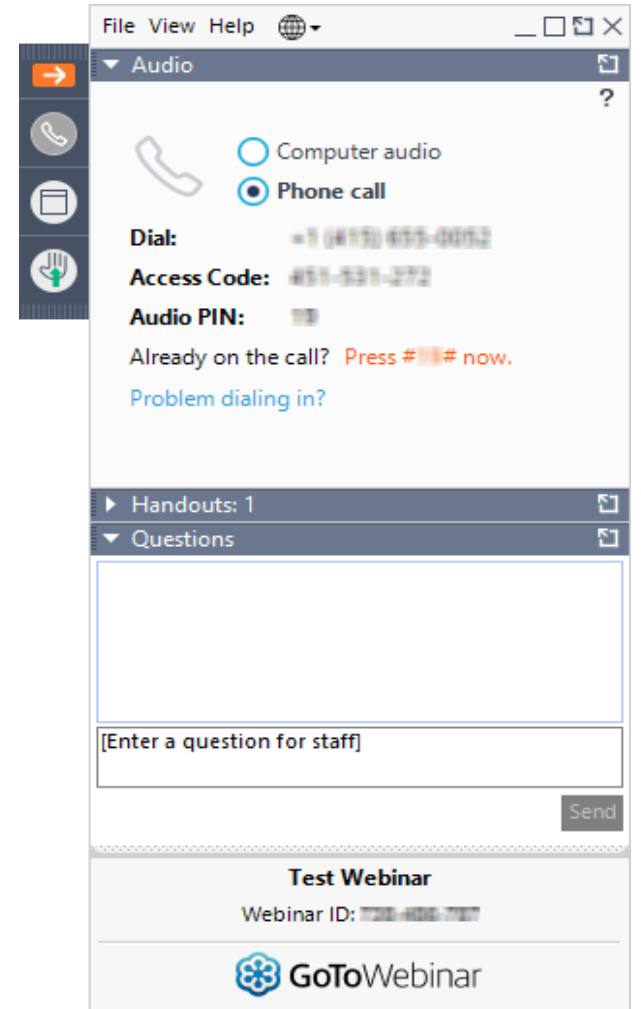
ANTICIPATING SECURE 2.0 CHANGES

March 2023



INFORMATION ABOUT TODAY'S SESSION

- Select “Phone call” to dial in.
- All attendee lines are automatically muted.
- Questions can be asked by typing them into the questions pane on the control panel, and there will be time at the end of the session to answer questions.
- Submitted questions will not be visible to other audience members.
- Today’s session is being recorded.





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TIMELINES

SECURE 2.0

KEY PROVISIONS FOR EXISTING 401(k) PLANS

RETROACTIVELY EFFECTIVE



Use of retirement funds for federally declared disasters (§331)

Applies to disasters occurring on or after January 26, 2021: \$22,000 may be withdrawn without penalty from retirement plans for affected individuals. Distributions may be repaid. Increases the maximum loan amount for qualified individuals to \$100k and extends the repayment period.



Increase in RMD age (§107)

Increases required minimum distribution (RMD) age to 73 effective January 1, 2023.



Hardship withdrawals self-certification (§312)

Allows employers to accept written certification from employees that their need constitutes a deemed hardship.



Small financial incentives for contributing to a plan (§113)

Allows employers to provide small financial incentives (e.g., low-dollar gift cards) to boost plan participation. Payment for the incentives is not allowed to come from plan assets.



Expand Employee Plans Compliance Resolution System (§305)

Expands the Employee Plans Compliance Resolution System (EPCRS) to allow for more plan errors to be corrected via self-correction.

EFFECTIVE 2023



Penalty exception for terminal illnesses (§326)

Eliminates the 10% early withdrawal penalty for individuals with a physician-certified terminal illness.



Eliminate unnecessary plan notice requirements for unenrolled participants (§320)

Reduces the plan sponsor burden of providing notice requirements to unenrolled participants to one annual eligibility notice.



Optional treatment of employer contributions as Roth (§604)

Allows defined contribution plans to provide participants with the option to receive employer matching or non-elective contributions as Roth.



Items with a yellow outline are mandatory.
*Effective 12.29.2023

KEY PROVISIONS FOR EXISTING 401(k) PLANS

EFFECTIVE 2024



Withdrawals for certain emergency expenses (§115)

Individuals may withdraw \$1,000 per year with self-certification. No additional distributions for three calendar years unless repayment occurs or elective deferrals since the distribution equal/exceed the amount of the distribution.



Student loan payments as elective deferrals for purposes of matching contributions (§110)

Employees repaying student loans can receive their retirement match contributions from employers. Employee must make qualified student loan payments and can self-certify.



Changes to catch-up source (§603)

Requires catch-up contributions to be made as Roth-only, with an exception for those who make \$145,000 or less (dollar amount is indexed).



Dollar limit for mandatory distributions (§304)

Employers may transfer former employees' retirement accounts with balances up to \$7,000 to IRAs, with notice requirements. Amounts less than \$1,000 can be distributed via check.



Exemption for certain automatic portability transactions (§120)*

Permits service providers to provide automatic portability services, which allows for the automatic rollover of an employee's former plan to a new one.



Penalty-free withdrawal for domestic abuse (§314)

Allows retirement plans to permit participants who self-certify they are experiencing domestic abuse to withdraw money penalty-free.



Surviving spouse election to be treated as employee (§327)

Allows the surviving spouse to be treated as the deceased employee for purposes of RMD rules.



Roth plan distribution rules (§325)

Eliminates the pre-death RMD requirement for Roth accounts in employer plans.



Pension-linked emergency savings (§127)

Employers may automatically enroll participants into an emergency savings account at up to 3% of salary for a total contribution amount of \$2,500. Participating employees may take tax- and penalty-free distributions at least once per calendar month.

EFFECTIVE 2025



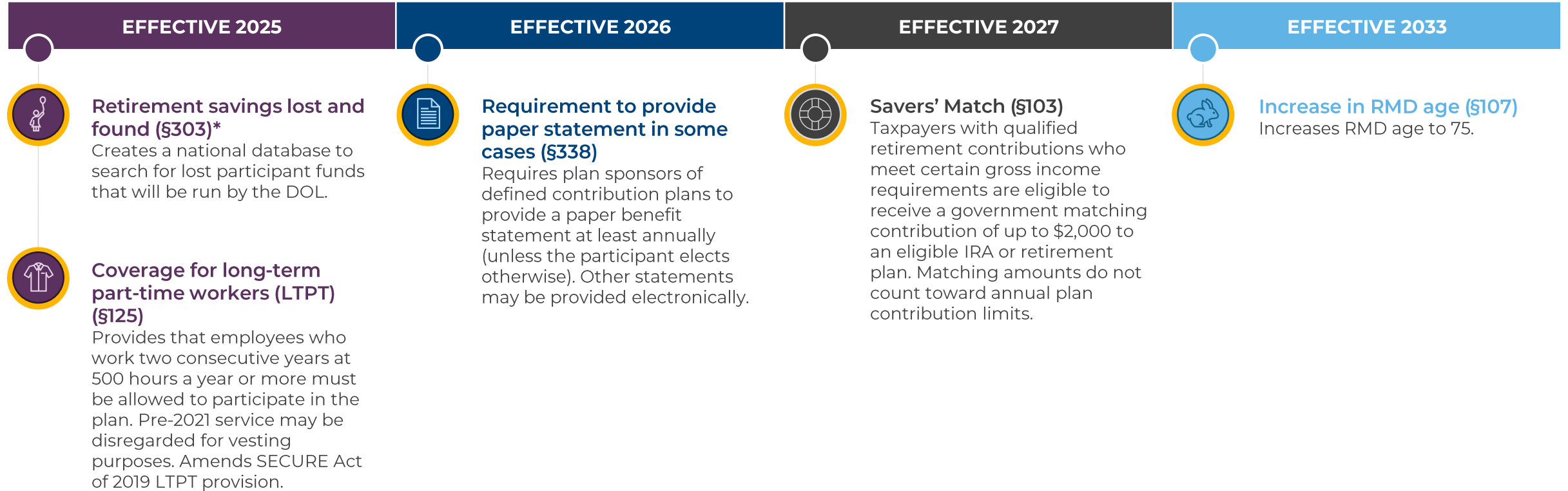
Higher catch-up limit for ages 60 to 63 (§109)


Increases the limits to the greater of \$10,000 or 50% more than the regular indexed catch-up amount for ages 60, 61, 62, and 63.



Items with a yellow outline are mandatory.
*Effective 12.29.2023

KEY PROVISIONS FOR EXISTING 401(k) PLANS



 Items with a yellow outline are mandatory.
*Creation of database must be no later than 12.29.2023

SAMPLE CAPTRUST BENCHMARKING

PEER GROUP (Number of plans within a category)

| | |
|---------------------------|----------------|
| Industry (37) | Insurance |
| Number of Employees (194) | 5,000 or more |
| Plan Type (1481) | 401(k) |
| Plan Assets (261) | \$250+ million |

ENROLLMENT

| | |
|-------------|------------------|
| Eligibility | Immediately |
| QDIA | Yes |
| QDIA Option | Target date fund |

CONTRIBUTIONS

| | |
|-------------------------------|--|
| Safe Harbor Plan | No |
| Employer Contributions | Both matching and non-matching contributions |
| Maximum Employer Contribution | 7% in absence of profit sharing |
| Vesting Schedule | 4-year-graded (BU) 3-year cliff (MGMT) |
| Roth Feature | Yes |

PLAN AUTOMATION

| | |
|---------------------------------|------|
| Automatic Enrollment | Yes |
| Automatic Enrollment Percentage | 6% |
| Automatic Increase | Yes |
| Annual Increase Percentage | 0% |
| Cap on Automatic Increase | NA % |

DISTRIBUTIONS

| | |
|-------------------------|-----|
| Loans | Yes |
| Maximum Number of Loans | 2 |
| Distribution Options | |
| Lump Sum | Yes |
| Partial Distributions | Yes |
| Installments | Yes |
| Annuities | No |
| Hardship Withdrawals | Yes |

Benchmark data plan is for plan years ended between 1.1.2022 and 12.31.2022

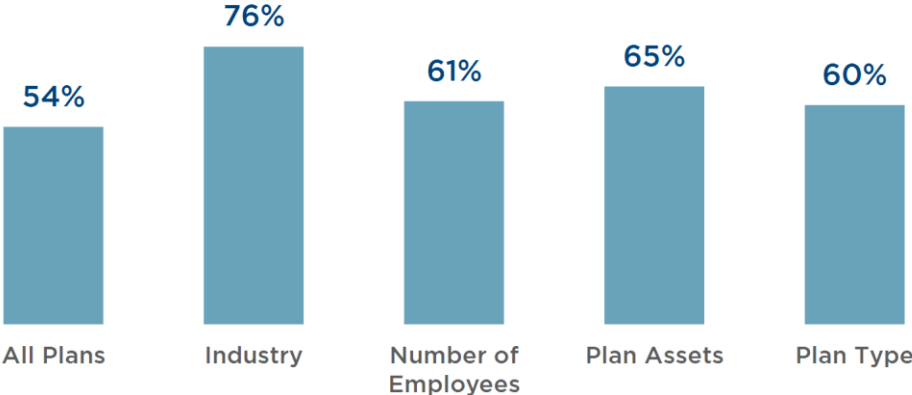
SAMPLE CAPTRUST BENCHMARKING

DOES YOUR PLAN OFFER AUTOMATIC ENROLLMENT?

Your Plan: Yes

Default Percentage: 6%

Percentage of Plans Offering Auto-enrollment by Peer Group



| Default Percentage | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | More Than 10% |
|---------------------|------|------|-------|-------|-------|-------|------|------|------|------|---------------|
| All Plans | 2.8% | 8.3% | 42.0% | 14.4% | 12.4% | 18.0% | 1.3% | 0.4% | 0.2% | 0.1% | 0.1% |
| Industry | 0.0% | 7.1% | 14.3% | 7.1% | 14.3% | 53.6% | 3.6% | 0.0% | 0.0% | 0.0% | 0.0% |
| Number of Employees | 6.0% | 6.8% | 47.9% | 14.5% | 9.4% | 13.7% | 1.7% | 0.0% | 0.0% | 0.0% | 0.0% |
| Plan Assets | 2.9% | 7.1% | 41.8% | 15.3% | 11.2% | 20.0% | 1.2% | 0.6% | 0.0% | 0.0% | 0.0% |
| Plan Type | 2.1% | 7.8% | 42.0% | 14.0% | 12.8% | 19.3% | 1.1% | 0.4% | 0.2% | 0.1% | 0.1% |

Source: CAPTRUST internal research, client-provided information

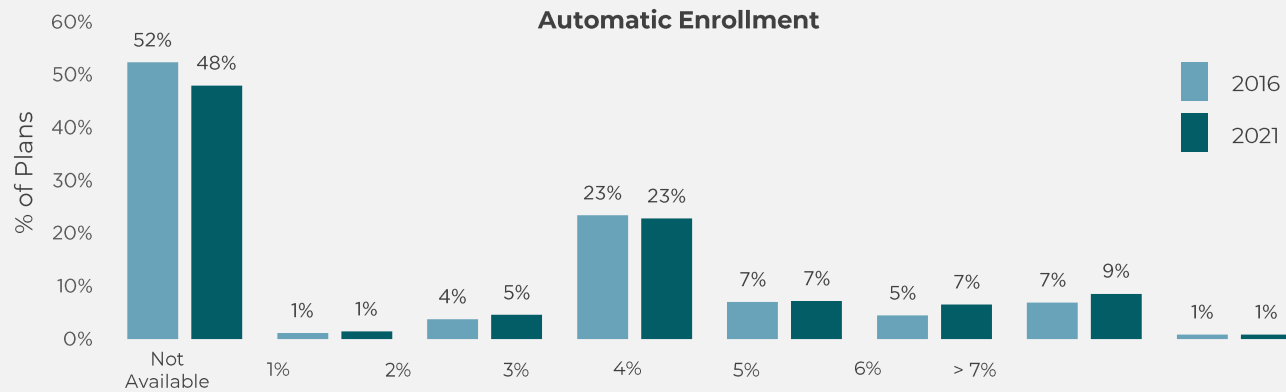
Benchmark data is for plan years ended between 1.1.2022 and 12.31.2022

CAPTRUST PLAN DESIGN REVIEW: THEN VS. NOW (<\$250M)

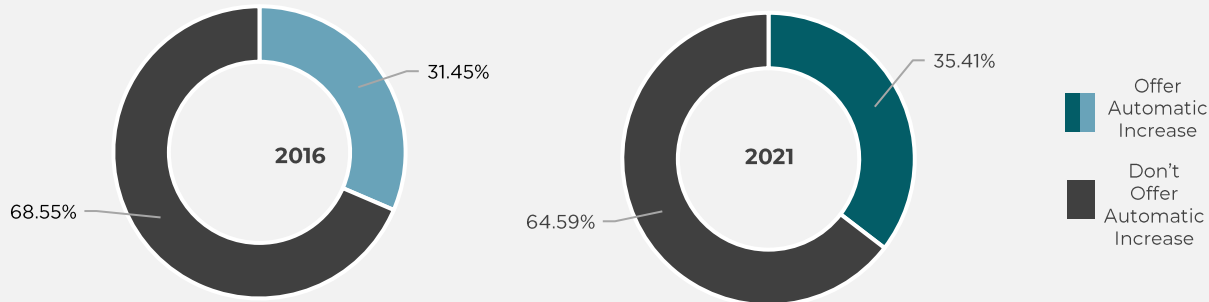


PLAN AUTOMATION

Plan automation features within defined contribution plans encourage employees to begin contributing to the plan as soon as they are eligible to join and continue to increase their contribution over time. These features are an effective way to increase participation in the retirement plan and help employees stay on track with retirement savings goals.

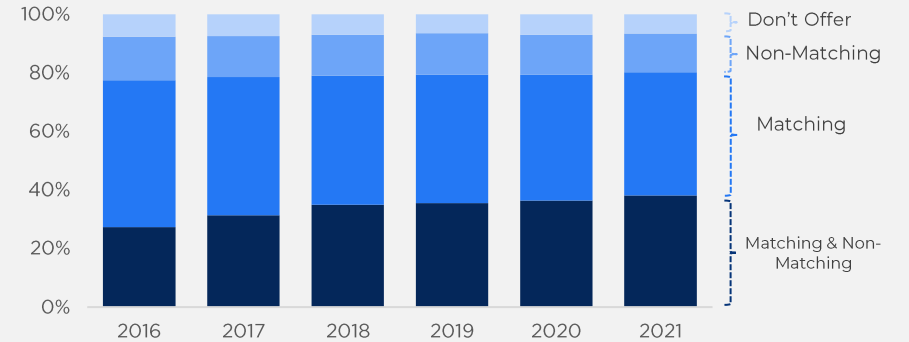


Automatic Annual Increase



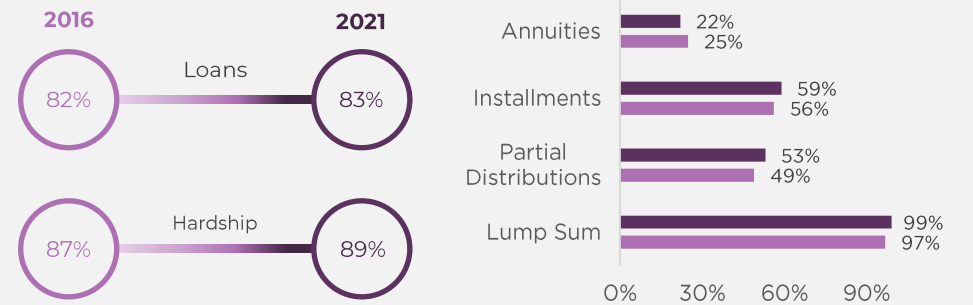
EMPLOYER CONTRIBUTION TYPES

Employer contributions vary by plan and are a benefit plan sponsors provide to the employee.



DISTRIBUTION OPTIONS

Distribution options allow participants to customize their ability to withdrawal money from the plan.



Source: CAPTRUST Plan Design Survey | Plan Types Include: 401(k), 403(b), 401(a), MPP, & PSP
 Data reflects plans under \$250 million in plan assets. Plan Count - 2016: 798 | 2017: 959 | 2018: 1012 | 2019: 1061 | 2020: 1154 | 2021: 1330

OPTIONAL PROVISIONS TO DISCUSS FOR 2023–2024

1

Withdrawals

Federally declared disasters, terminal illness, domestic abuse, emergency savings

2

Contributions

Roth employer contributions, student loan matching, emergency savings account

3

Small Balance

Increased small balance force out and auto-portability

TAKEAWAYS FOR PLAN SPONSORS

1

Start conversations now with your recordkeeper/TPA and payroll provider.

2

Understand any mandatory plan design features you must add to your plan, and decide if there are other changes you want to include.

3

Develop your participant communication/education strategy for the rollout of any new provisions.



QUESTIONS

THANK YOU

DISCLOSURE

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