



# SECURE ACT 2.0

## KEY PROVISIONS FOR EXISTING 403(b) AND 457(b) PLANS

### RETROACTIVELY EFFECTIVE



#### **Use of retirement funds for federally declared disasters (§331): 403(b)/457(b) Govt.**

Applies to disasters occurring on or after January 26, 2021: \$22,000 may be withdrawn without penalty from retirement plans for affected individuals.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



#### **Increase in RMD age (§107): 403(b)/457(b)** Increases required minimum distribution (RMD) age to 73 effective January 1, 2023.



#### **Hardship/unforeseeable emergency withdrawals self-certification (§312): 403(b)/457(b) Govt.**

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



#### **Small financial incentives for contributing to a plan (§113): 403(b)**

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): 403(b)**

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): 403(b)**

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



#### **Eliminate unnecessary plan notice requirements for unenrolled participants (§320): ERISA 403(b)**

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



#### **Multiple Employer 403(b) Plans (§106): 403(b)**

Permits 403(b) plans to participate in multiemployer plans (MEPs) and pooled employer plans (PEPs).



#### **Optional treatment of employer contributions as Roth (§604): 403(b)/457(b) Govt.**

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



#### **Enhancement of 403(b) Plans (§128): 403(b)**

Permits 403(b) plans to participate in collective investment trusts (CITs). Unfortunately, 403(b) assets are still not exempt from securities law registration requirements.



#### **Eliminate first day of the month requirement (§306): 457(b) Govt.**

Eliminates the requirement that participants request deferral changes prior to the beginning of the month in which the deferral would be made.



Items with a yellow outline are mandatory.



# SECURE ACT 2.0

## KEY PROVISIONS FOR EXISTING 403(b) AND 457(b) PLANS

### EFFECTIVE 2024

### EFFECTIVE 2025



#### Withdrawals for certain emergency expenses (§115): 403(b)

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): 403(b)/457(b) Govt.

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



#### Dollar limit for mandatory distributions (§304): 403(b)/457(b) Govt.

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): ERISA 403(b)\*

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): 403(b)/457(b) Govt.

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): 403(b)/457(b)

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



#### Roth plan distribution rules (§325): 403(b)/457(b) Govt.

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



#### Pension-linked emergency savings (§127): 403(b)

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.



#### Hardship withdrawal rules for 403(b) plans (§602): 403(b)

Makes 403(b) hardship distribution rules the same as those for 401(k) plans.



#### Higher catch-up limit for ages 60 to 63 (§109): 403(b)/457(b) Govt.

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



# SECURE ACT 2.0

## KEY PROVISIONS FOR EXISTING 403(b) AND 457(b) PLANS

### EFFECTIVE 2025



#### **Retirement savings lost and found (§303)\*: ERISA 403(b)**

Creates a national database to search for lost participant funds that will be run by the DOL.



#### **Coverage for long-term part-time workers (LTPT) (§125): ERISA 403(b)**

Provides that employees who work two consecutive years at 500 hours a year or more must be allowed to participate in the plan. Pre-2021 service may be disregarded for vesting purposes. Amends SECURE Act of 2019 LTPT provision.

### EFFECTIVE 2026



#### **Changes to catch-up source (§603)\*\*: 403(b)/457(b) Govt.**

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).



#### **Requirement to provide paper statement in some cases (§338): ERISA 403(b)**

Requires plan sponsors of defined contribution plans to provide a paper benefit statement at least annually (unless the participant elects otherwise). Other statements may be provided electronically.

### EFFECTIVE 2027



#### **Savers' match (§103): 403(b)/457(b) Govt.**

Taxpayers with qualified retirement contributions who meet certain gross income requirements are eligible to receive a government matching contribution of up to \$2,000 to an eligible IRA or retirement plan. Matching amounts do not count toward annual plan contribution limits.



#### **First responder retirement payments (§309):**

**403(b)/457(b) Govt.**  
Excludes service-connected, disability pension payments for first responders from gross income after reaching retirement age, up to an annualized excludable disability amount.

### EFFECTIVE 2033



#### **Increase in RMD age (§107): 403(b)/457(b)** Increases RMD age to 75.



Items with a yellow outline are mandatory.  
\*Creation of database must be no later than 12.29.2024.

\*\*Updated as of 8.25.23.