



5x5 series: Insights and actions

“SECURE 2.0” and potential opportunities

The Consolidated Appropriations Act, 2023, signed into law on December 29, 2022, included a division featuring nearly 90 retirement plan-related provisions, ranging from new design choices and opportunities, to new obligations and changes to plan reporting (“SECURE 2.0”). Though many provisions will not take effect until taxable years after 2023, certain provisions and opportunities will become immediately available to taxpayers and plan sponsors. It is important to review these provisions to ensure continued plan compliance and to help ensure your plans meet the needs of your workforce. The act also includes a number of enhancements for taxpayers with individual retirement accounts (IRAs). The following insights do not cover all provisions but serve to provide you with a sense of the changes made, and what you can do now.



5 insights you should know

New Design Options. The act allows a plan to provide matching contributions based upon student loan repayments, allows plans to permit penalty-free withdrawals from plans in a number of additional situations (unforeseen emergency, federally declared disaster, domestic abuse, terminal illness), allows Roth after-tax treatment of matching or nonelective contributions, increases the minimum benefit cashout threshold, and adds a new emergency account.

New Compliance Risks. The act requires automatic enrollment and escalator features in new 401(k) or 403(b) plans; decreases the period part-time employees must serve prior to becoming eligible for participation in a 401(k) or 403(b) plan and will require all catch-up contributions for certain individuals to be made on a Roth after-tax basis.

Administrative Changes. The act will further increase the required minimum distribution (RMD) age and catch-up contribution limits, require proper tracking of employee compensation to know whether catch-up contributions must be subjected to Roth treatment, and make changes to which forms must be provided in hard copy.

Enhanced Correction Opportunities. The act will require Treasury to greatly expand use of self-correction tools for plan provisions, allow employers to choose whether to recover overpayments (and provides guiderails when they do), reduce penalties associated with RMD failures, and expand safe harbor protection for failures associated with automatic enrollment provisions.

IRA Enhancements. The act includes provisions increasing IRA catch-up contributions, further increases applicable RMD age, reduces penalties for missed RMDs, and starts the related statute of limitation running when a personal tax return is filed. The act also clarifies the rules applicable when a particular IRA engages in a prohibited transaction and expands the “EPCRS” correction tool to allow self-correction of IRA operational failures.

5 actions to take now

- 1 Analyze plan design in light of new opportunities.** Though the act’s effective dates vary, consider reviewing these new features with HR / Talent and plan benefit advisors to see how these changes may fit your strategic vision and keep your competitive edge. Benefit plan studies may help assess appetite for enhancements.
- 2 Analyze applicable compliance requirements.** Consider discussing provisions with HR / Talent and strategic advisors to ensure that plans are timely amended.
- 3 Analyze applicable operational changes.** Consider discussing provisions with HR / Talent teams and vendors to ensure that processes and systems will be capable of handling updates timely.
- 4 Re-evaluate plan correction policies.** In light of the act and expanded IRS audit activity, consider reaching out to plan advisors to help assess overall plan compliance as well as determine what additional correction options may allow your plans to address common operational failures without needing to make an IRS submission.
- 5 Evaluate your personal opportunities.** Consider talking with your individual tax or financial advisor in light of potential opportunities and changes associated with IRAs.

Connect with us

Jamie Gross
Managing Director
Deloitte Tax LLP
jagross@deloitte.com

Michael Haberman
Senior Manager
Deloitte Tax LLP
mhaberman@deloitte.com

Thomas Pevarnik
Managing Director
Deloitte Tax LLP
tpevarnik@deloitte.com

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