

# SECURE 2.0 Act - Administration

## Dear Plan Sponsor:

Due to the SECURE 2.0 Act, updates are required for your retirement plans. Below are some key provisions in SECURE 2.0 that have/will impact administration of your plan(s). We have already begun administering your plan(s) per the mandatory changes and based on each provision's applicable effective date as indicated below.

### 2022 – 2023 Effective Provisions:

- **Increase in Age for Required Minimum Distribution.** The original SECURE Act increased the required minimum distribution age from 70½ to 72 in 2020. SECURE 2.0 increases the required minimum distribution age to 73 as of January 1, 2023, and to 75 as of January 1, 2033.
- **If applicable, flexibility for Governmental 457(b) Plan Contributions.** SECURE 2.0 allows election changes by participants to take place any time after the election change is made. Previously, these changes could only be made on the first day of the month.
- **Hardship Distribution Self-Certification.** SECURE 2.0 permits plan sponsors and administrators to rely on a participant's written certification that they meet the requirements for a specified hardship withdrawal for 403(b) plans or unforeseeable emergency withdrawal for 457(b) plans and will maintain documentary proof of the basis for the hardship and that the amount is not more than required to meet the financial hardship.

- **Qualified Birth or Adoption Distribution.** The original SECURE Act allowed participants to make a qualified birth or adoption distribution (QBAD) of up to \$5,000 from their retirement plan for expenses related to birth or adoption without incurring the 10% additional tax under Code Section 72(t). SECURE 2.0 amends the QBAD provisions to allow recontribution of these distributions within 3 years from the distribution.
- **Hardship Distributions in Connection with Qualified Federally Declared Disasters.** SECURE 2.0 add a permissible hardship distribution for disaster-related hardships upon issuance of a federally declared disaster. Affected individuals may take a distribution of up to \$22,000 from retirement plans. These distributions may be taken into account by the participant as gross income over 3 years and are not subject to the 10% additional tax under Code Section 72(t). Additionally, employers may increase the maximum loan amount for affected individuals and allow six years to repay loans.

#### **2024 Effective Provisions:**

- **Survivors of Domestic Abuse Distributions.** SECURE 2.0 adds a new distribution option of up to \$10,000 for domestic abuse victims. The participants may self-certify that they experience domestic abuse within the previous 12 months to qualify for the distribution. These distributions are not subject to the 10% early withdrawal penalty. The plan may also permit participants to repay the withdrawn money over 3 years.

We will begin to administer your plan(s) for provisions which become effective on January 1, 2025, as outlined below.

**2025 Effective Provision:**

- Effective January 1, 2025, Section 109 of SECURE Act 2.0 (Higher catch-up limit to apply at age 60, 61, 62, and 63) increases the catch-up contribution limit for active participants turning ages 60, 61, 62, or 63 in the calendar year to either \$10,000 or 50 percent more than the regular catch-up contribution limit, whichever is greater. The increased amounts will be indexed for inflation after 2025.

First Financial Administrators will not be sending new plan documents for you to execute at this time. SECURE 2.0 does not require that governmental plan documents be updated until the end of 2027 even though plans may be administered with the new provisions as they become effective. We will update the plan document once the IRS publishes clear guidance on the required language for the plan document.

**PLEASE NOTE:**

**ACTION WILL BE REQUIRED FOR 2026 CHANGES!**

Starting in 2026, if you earn more than \$145,000 in the prior calendar year, all catch-up contributions to a workplace plan at age 50 or older will need to be made to a Roth account in after-tax dollars. Individuals earning \$145,000 or less, adjusted for inflation going forward, will be exempt from the Roth requirement.

If you have any questions, please contact First Financial Administrators, Inc.

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