SECURE 2.0: Key Provisions for Governmental Employers*

Voya applauds the passing of Secure Act 2.0 into law. This new legislation aligns with Voya's mission to make a secure financial future possible for all by providing workers an opportunity for greater access to retirement savings.

SECURE 2.0 includes many provisions related to retirement plans and IRAs that expand participant coverage, help participants preserve income and simplify plan rules and administrative procedures. This summary includes highlights but is not intended to be an exhaustive list of SECURE 2.0 changes impacting governmental 457(b) deferred compensation, 401(a) defined contribution plans and existing governmental 401(k) plans that were adopted prior to May 6, 1986.

It's important to note that while SECURE 2.0 made changes with regard to federal law and the Internal Revenue Code (IRC), there may be state law implications and potential modifications to conform state law to the new IRC provisions.

Immediate mandatory changes effective in 2023

What's changing	What it means
Required Minimum Distributions (RMD) Age Increases The required age for an RMD beginning date is increased for participants and spousal beneficiaries of a participant that died prior to reaching the RMD beginning date. New RMD ages are: • 73 for an individual who attains age 72 after December 31, 2022, and age 73 before January 1, 2033 • 75 for an individual who attains age 74 after December 31, 2032	**Impact: Mandatory** It allows participants to keep their savings in their retirement plan for a longer period. Effective date: Calendar years after December 31, 2022 Applicable plans: 401(a), 401(k), and 457(b) plans
RMD Excise Tax Reduction The Internal Revenue Code currently imposes a 50% excise tax on RMD's that are not taken in a timely manner. SECURE 2.0 reduces the excise tax from 50% to 25% (and to 10% if the correction is made in a timely manner).	**Impact: Mandatory** Lower penalties allow participants to preserve more of their retirement income. Effective for taxable years beginning after December 29, 2022 Applicable plans: 401(a), 401(k), and 457(b) plans

* Revised January 27, 2023

What's changing	What it means
Broadened Internal Revenue Service (IRS) 10% Premature Distribution Tax Penalty Exemption for Public Safety Employees and New Exemption for Private Sector Firefighters "Qualified public safety employees" in governmental plans who are age 50 or older have an exemption from the IRS 10% premature distribution penalty tax. This provision broadens exemption for governmental employers to earlier of age 50 or 25 years of service under the plan.	**Impact: Mandatory** Income preservation for a broader group of public safety employees. Effective for distributions made after December 29, 2022 Applicable plans: 401(a), and 401(k) plans

Optional changes effective in 2023

What's changing	What it means
Qualified Birth and Adoption Distributions (QBAD) A participant who has taken a QBAD may repay that distribution to an eligible retirement plan accepting rollovers during the three-year period beginning on the day after the date on which the QBAD was received.	**Impact: Optional** Establishes time limit for repayment of QBADs for those participants who wish to repay Effective date: Retroactive effective date – QBADs made after December 31, 2019 Applicable plans: 401(a), 401(k), and governmental 457(b) plans
Self-certification of Unforeseen Emergency Withdrawals A plan administrator may rely on an employee certification that a hardship withdrawal or unforeseen emergency distribution is based upon an immediate and heavy financial need, as described in the Treasury regulations, and that the amount requested is no more than is necessary.	**Impact: Optional** Allows plan sponsors the choice to accept self-certification for hardships and unforeseen emergency distributions Effective date: Plan years beginning after December 29, 2022 Applicable plans: 401(k) plans (hardship withdrawals); governmental 457(b) plans (unforeseeable emergency distributions)
Treatment of Employer Contributions as Roth An employer may designate matching contributions or nonelective contributions as Roth contributions, provided that the participant is fully vested in such Roth employer contributions. *As drafted, SECURE 2.0 created pending questions regarding the Employer FICA obligations for such contributions.	**Impact: Optional** Effective date: Contributions made after December 29, 2022 Applicable plans: 401(a), 401(k), governmental plans

* Revised January 27, 2023

What's changing	What it means
Qualified Disaster Distributions and Loans Permits participants who meet certain criteria to take a distribution up to $22,000 (aggregated across all of a participant's plan accounts, including IRAs) due to a federal disaster declaration. Distributions are not subject to the IRS 10% premature distribution penalty tax and can be amortized as income over a three-year period. Amounts distributed prior to the disaster to purchase a home can be recontributed. The employer is responsible for monitoring the $22,000 limit for each of the plans within its controlled group. Increases the loan limit due to a federal disaster declaration from $50,000 to $100,000 and delays the repayment for up to a year.	**Impact: Optional** Effective date: Retroactive application to disasters occurring on or after January 26, 2021 Applicable plans: 401(a), 401(k), governmental 457(b) plans
Modification of "first day of the month" Requirement for Governmental 457(b) Plans Currently, governmental 457(b) plan participants must make a deferral election in the month prior to the month in which compensation is paid. SECURE 2.0 changes this rule to deferral elections effective with respect to compensation not yet paid or made available.	**Impact: Optional** Aligns deferral timing of deferral elections in a governmental 457(b) plan with elections under 401(k) and 403(b) plans Effective for taxable years beginning after December 29, 2022 Applicable plans: governmental 457(b) plans

Effective in 2024

What's changing	What it means
Roth Catch-up If a participant's prior year FICA wages from the employer sponsoring the plan exceeded $145,000, then a participant's Age 50+ Catch-up deferrals can only be made as a Roth contribution. The $145,000 threshold is subject to IRS annual cost of living adjustments in $5,000 increments.	**Impact: Mandatory (for plans that allow Age 50+ Catch-up Contributions)** If the plan allows Age 50+ Catch up contributions, it will also need to allow for Roth contributions. Effective date: Tax years after December 31, 2023 Applicable plans: 401(k), governmental 457(b) plans
Clarification of Substantially Equal Periodic Payment Rule A substantially equal periodic payment is not subject to an IRS 10% premature distribution penalty tax. SECURE 2.0 clarifies that the exception still applies if the amount is rolled over or exchanged for an annuity that satisfies RMD requirements.	**Impact: Mandatory** Effective date: Transfers, rollovers, exchanges, and distributions (as applicable) occurring on or after December 31, 2023, and effective for annuity distributions beginning after December 29, 2022 Applicable plans: 401(a) and 401(k), plans

What's changing	What it means
Roth Plan Distribution Rules Under current law, RMDs to a plan participant must consider all amounts (both non-Roth and Roth) from that participant's account from an employer-sponsored retirement plan. SECURE 2.0 eliminates this requirement so that the designated Roth account under a plan is not subject to RMD during the participant's lifetime.	**Impact: Mandatory (for plans with Roth feature)** Allows participants to preserve retirement account balances Effective date: Tax years after December 31, 2023 Applicable plans: 401(k), and governmental 457(b) plans with a designated Roth feature
Surviving Spouse Election to be Treated as Employee (for RMDs) If a participant dies before his or her required beginning date and designated their spouse as the sole beneficiary, then the spouse may elect to defer RMD until the year in which that spouse attains that year's RMD age and the spouse's RMD will be calculated under the life expectancy table typically available only for a plan participant.	**Impact: Mandatory** The spouse may elect to defer RMD to a later date and have RMD calculated under a potentially more favorable life expectancy table Effective date: Calendar years after December 31, 2023 Applicable plans: 401(a), 401(k), and 457(b) plans
Safe Harbor for Corrections of Employee Elective Deferral Failures Currently, there is safe harbor guidance for correction of elective deferral issues, but it is slated to expire in 2023. SECURE 2.0 addresses the issue by providing a statutory safe harbor for the correction of a reasonable administrative error involving automatic contribution or automatic escalation.	**Impact: Mandatory** (treatment of corrections by Treasury) To meet the safe harbor errors must be corrected prior to 9½ months after the end of the plan year in which the error occurred, corrected in a manner that is favorable to the participant, and consistently applied. Effective date: Errors after December 31, 2023 Applicable plans: 401(k), and governmental 457(b) plans

What's changing	What it means
Student Loan Payments for Matching Purposes Permits an employer to make matching contributions to a retirement plan with respect to "qualified student loan payments." • Qualified student loan payment is broadly defined as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee. • Separate nondiscrimination testing for employees who receive matching contributions on student loan repayments. • A retirement plan sponsor may rely on employee certification of payment. • SECURE 2.0 directs Treasury to publish regulations relating to this provision.	**Impact: Optional** Assists employees who may not be able to save for retirement because they are overwhelmed with student debt and miss out on available employer matching contributions Effective date: Plan years after December 31, 2023 Applicable plans: 401(k), and governmental 457(b) plans
Withdrawal for Emergency Personal Expenses Provides an exception to the IRS 10% premature distribution penalty tax for certain distributions for emergency expenses, which are unforeseeable or immediate financial needs relating to "personal or family emergency expenses." • Only one distribution is permissible per calendar year of up to $1,000 • Taxpayer has the option to repay the distribution within 3 years. • No further emergency distributions are permissible during the 3-year repayment period unless direct repayment occurs, or aggregate elective deferrals are contributed to the plan in at least the amount that was distributed and not repaid. • Plan administrator may rely on a participant's certification unless the plan administrator has actual knowledge to the contrary.	**Impact: Optional** Reduce the tax penalty for participants taking a hardship distribution up to certain limitations Effective date: Distributions made after December 31, 2023 Applicable plans: 401(a),401(k), and governmental 457(b) plans
Exemption for Certain Automatic Portability Permits retirement plan recordkeepers and other firms to provide employer plans with automatic portability services**.** Such services involve the automatic transfer of a participant's default IRA (established in connection with a distribution from a former employer's plan) into the participant's new employer's retirement plan, unless the participant affirmatively elects otherwise. Requirements: (1) must be an active participant in the new employer plan; and (2) the automatic portability provider acknowledges fiduciary status.	**Impact: Optional** Creates a new option for plan sponsors to consider for small balance mandatory distributions with a goal to increase retirement savings by automatically transferring small balance mandatory distributions to a participant's new employer if applicable Effective date: Transactions occurring on or after December 29, 2023 Applicable plans: defined contribution 401(a), 401(k), and governmental 457(b) plans

What's changing	What it means
Emergency Savings Accounts under Defined Contribution Plans Retirement plans may offer their non-highly compensated employees plan-linked emergency savings accounts. (Once an individual becomes a highly compensated employee (as defined in the Internal Revenue Code), then contributions must stop). • Plans may automatically enroll employees into these accounts at no more than 3 percent of their salary. • The account is capped at $2,500 (or lower as set by the employer). The $2,500 cap is subject to IRS annual cost of living adjustments in $100 increments. • Once the cap is reached, the additional contributions can be directed to the employee's Roth defined contribution plan (if they have one) or stopped until the balance attributable to contributions falls below the cap. • Contributions are made on a Roth-like basis • Treated as elective deferrals for purposes of retirement matching contributions with an annual matching cap set at the maximum account balance of $2,500 or lower. • Allows at least one withdrawal per calendar month. The first four withdrawals from the account each plan year may not be subject to any fees or charges solely on the basis of such withdrawals. • Exempt from IRS 10% premature withdrawal penalty tax. • At separation from service emergency savings accounts can be distributed or rolled into a Roth source within a plan or IRA.	**Impact: Optional** Provide an alternative source of money for participants when an emergency arises so they do not have to tap into their retirement savings Effective date: Plan years after December 31, 2023 Applicable plans: 401(k) and governmental 457(b) plans
Increase in Small Balance Mandatory Distribution Threshold The dollar amount which a plan may authorize a distribution of a terminated participant's vested account without the participant's consent increases from $5,000 to $7,000.	**Impact: Optional** Increase the small balance mandatory distribution limit from $5,000 to $7,000 for inactive and dormant accounts in plans Effective date: Distributions after December 31, 2023 Applicable plans: 401(a), 401(k), and governmental 457(b) plans
Penalty-free withdrawal for domestic abuse cases **Permits participants who self-certify they experienced domestic abuse to obtain a withdrawal (the lesser of $10,000, indexed for inflation, or 50 percent of the participant's account).** • **The distribution is not subject to the IRS 10 percent penalty tax on premature distributions.** • **Additionally, a participant can repay the withdrawn money from the retirement plan over 3 years and will be refunded for income taxes on money that is repaid.**	**Impact: Optional** **Provide a domestic abuse survivor with access to their retirement account for various reasons, such as escaping an unsafe situation** **Effective date: Distributions made after December 31, 2023** **Applicable plans: 401(k) and governmental 457(b) plans**

Longer-term considerations, effective 2025 or later

What's changing	What it means for you
Increased Catch-up Contribution Limits Increases age-based catch-up contribution limits to the greater of $10,000 or 50 percent more than the regular age 50 catch-up amount in 2025 (subject to IRS annual cost of living adjustments in $500 increments) for participants **who have reached ages 60, 61, 62 and 63.** • After age 63, the standard age 50+ catch-up limits will apply • For eligible governmental 457(b) plan participants, this catch-up cannot be used in the same tax year as the Special l 457 Catch-up.	**Impact: Optional** If adopted by plan sponsor, allows participants ages 60, 61, 62 and 63 to make additional catch-up contributions Effective date: Taxable years beginning after December 31, 2024 Applicable plans: 401(k), and governmental 457(b) plans
Saver's Match Current law provides for a nonrefundable credit for certain individuals who make contributions to individual retirement accounts ("IRAs"), employer retirement plans (such as 401(k) plans), and ABLE accounts. This rule change repeals and replaces the credit with respect to IRA and retirement plan contributions, changing it from a credit paid in cash as part of a tax refund into a federal matching contribution that must be deposited into a taxpayer's IRA or certain eligible retirement plan. The match is 50 percent of IRA or retirement plan contributions up to $2,000 per individual. The match phases out between $41,000 and $71,000 in the case of taxpayers filing a joint federal individual income tax return ($20,500 to $35,500 for single taxpayers and married filing separate; $30,750 to $53,250 for head of household filers). NOTE: Saver's Match cannot be withdrawn without incurring penalties, including repayment to the U.S. Treasury Department in some cases where the Saver's Match is withdrawn from an individual retirement account before retirement.	**Impact: Mandatory** (for credits received after the effective date) Provides an incentive for individuals to save for retirement and ensure that the credit provided is invested for retirement Effective for taxable years after December 31, 2026 Applicable plans: defined contribution 401(k), and governmental 457(b) plans

Plan Amendments	Impact: Mandatory
Plan amendments to satisfy SECURE 2.0 must be adopted no later than the end of the end of the 2027 plan year for governmental plans unless the Secretary of the Treasury provides for a later date. SECURE 2.0 also extends the plan amendment deadline for Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE), the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, and the Taxpayer Certainty and Disaster Tax Relief Act of 2020 to align with the plan amendment deadlines noted above.	Plan sponsors must amend their plan documents no later than the dates set forth.

As of 1/27/2023.

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