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The SECURE Act Finally Becomes Law

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Last week, as a part of the government's spending bill, Congress passed—and the president signed into law—legislation that includes the most comprehensive changes to private retirement plans in more than a decade. The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 is a combination of several bills that were introduced in the last Congress and carried bipartisan support. This new set of laws makes it easier for employers to sponsor retirement plans for their employees, so that more Americans can save for retirement at work.

Key provisions of the SECURE Act that affect retirement plans include the following:

- Allowing long-term part-time workers to become eligible to participate in 401(k) plans. Until now, part-time employees who worked less than 1,000 hours a year could be excluded from participation. Under the new regulations, employers will be required to offer employees who work less than 1,000 hours a year the ability to participate in their plans so long as they have completed three consecutive years of working at least 500 hours a year.
- Changing the nonelective safe harbor rules and the auto enrollment safe harbor cap for 401(k) plans. To provide greater flexibility, the Act eliminates the safe harbor notice and permits amendments to nonelective status at any time before the 30th day before the close of the plan year. Amendments after that time would be allowed if they provide a nonelective contribution of a least 4 percent of compensation (rather than the standard 3 percent) to all eligible participant for that plan year. In addition, the Act increases the allowable deferral cap from 10 percent to 15 percent in a safe harbor plan with autoenrollment (qualified automatic contribution arrangement or QACA).
- Increasing the age for required minimum distributions (RMDs) from 70 1/2 to 72, which becomes effective for individuals turning 70 1/2 after January 1, 2020.
- Introducing penalty-free (but not tax-free) retirement plan withdrawals for qualified birth or

adoption costs up to $5,000.
- Including lifetime income projections based on account balances on quarterly participant statements based on Department of Labor calculation criteria.

Other provisions designed to help individuals include:

- Lifetime income options. The SECURE Act provides a fiduciary safe harbor for the selection of a lifetime income provider to encourage plan sponsors to offer in-plan annuity options. It also provides for tax-advantaged portability (trustee-to-trustee transfers) of lifetime income investments to an individual retirement account or another qualified plan if the investment is no longer authorized to be held under the plan. This will permit participants to preserve their lifetime income guarantees and avoid surrender charges and fees.
- Expanded use of multiple employer plans (MEPs). The SECURE Act changes ERISA requirements to allow unrelated employers to participate in "open" MEPs. This will allow small employers to join together to provide cost-effective 401(k) plans to their employees.

For more information, please contact your CAPTRUST Financial Advisor at 800.216.0645.

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