EMPLOYEE BENEFITS LAW
INFORMATION MEMO
JANUARY 5, 2023

SECURE 2.0 Introduces Sweeping Changes to Retirement Rules

Federal lawmakers recently passed the SECURE 2.0 Act of 2022 (SECURE 2.0), a retirement security package that will introduce some of the most comprehensive changes to retirement policy in recent years. Tucked in the omnibus appropriations package, SECURE 2.0 will expand access to and provide incentives for employer-sponsored retirement plans.

Building on the SECURE Act enacted in 2019 (SECURE 1.0), SECURE 2.0 adds important new rules to existing retirement saving laws.

Key provisions in SECURE 2.0 include:

- **Automatic Enrollment in Most New Retirement Plans**

  Effective for plan years beginning after Dec. 31, 2024, new 401(k) and 403(b) plans are required to automatically enroll participants, with a salary deferral percentage of at least 3% but not more than 10%. Each year thereafter, a participant's salary deferral amount will be increased by 1% until it reaches 10% (this amount may be increased by the plan sponsor to a maximum of 15%). An employee can opt out of participation if desired. Small businesses with 10 or fewer employees, new businesses (those in business less than three years) and church and government plans are exempt from this provision. Current 401(k) and 403(b) plans are grandfathered and do not need to comply with this requirement.

- **Increased RMD Age**

  SECURE 1.0 increased the age to commence required minimum distributions from retirement plans (RMDs) from age 70.5 to age 72. Starting on Jan. 1, 2023, SECURE 2.0 increases the required minimum distribution age to 73 (for individuals who attain age 72 after Dec. 31, 2022 and age 73 before Jan. 1, 2033). By 2033, the RMD age will increase to age 75 (for individuals who attain age 74 after Dec. 31, 2032).

- **Increased Catch-up Contributions**

  For participants 50 or older, participants can make catch-up contributions to retirement plans up to set limits. Effective for taxable years beginning after Dec. 31, 2024, SECURE 2.0 increases the catch-up contribution limits to the greater of $10,000 or 50% more than the applicable catch-up amount for participants who have reached ages 60, 61, 62, or 63 years old. The increased catch-up contribution limits will be indexed for inflation after 2025. Effective for plan years after 2023, catch-up contributions for participants with wages from the employer in the prior year of greater than $145,000 (as adjusted) must be made as Roth contributions.

- **Student Loan Matching Contributions**

  Acknowledging that high student loan debt prevents employees from saving for retirement, SECURE 2.0 will permit an employer to make matching contributions under certain retirement