The Baker's Dozen
SECURE Act Key Takeaways

1

Greater access to multiple employer plans

- Multiple employer plans (MEPs) allow small and midsized unrelated businesses to team up to provide their employees a defined contribution plan, such as a 401(k) or SIMPLE IRA beginning in 2021.

2

Looser notice and amendment rules on safe harbor plans

- As of January 1, 2020, plan sponsors no longer are required to give notice to plan participants before the beginning of the plan year when the sponsor is making qualified nonelective contributions of at least 3% to all eligible participants.
- Participant statements must now include lifetime annuitization information provided by the Department of Labor.

3

Annuity options

- The SECURE Act immunizes employers from certain breach of fiduciary duty liability if they choose a provider that meets certain requirements, starting December 20, 2019.

4

Participation by part-time employees

- Starting in 2021, the SECURE Act generally requires employers to allow participation in their defined contribution retirement plans by employees who have worked at least 1,000 hours in one year (about 20 hours per week) or three consecutive years of at least 500 hours and who are at least age 21 at the end of the three-year period.

5

Expanded tax credits

- The SECURE Act modifies the current tax credit of $500 per year for 3 years to offset startup costs for new 401(k) and SIMPLE IRA plans with automatic enrollment. Beginning in 2020, the new law changes the calculation of the flat dollar amount limit on the credit to the greater of
  1) $500 or
  2) the lesser of:
     - $250 multiplied by the number of non-highly compensated employees who are eligible to participate in the plan, or
     - $5,000.
- The Act now includes an additional $500 credit for Eligible Automatic Contribution Arrangements

6

Higher automatic enrollment safe harbor cap

- The law increases the maximum amount of an employee's compensation that can be automatically deferred after the employee's first plan year, from 10% to 15%.

7 Adoption deadlines

- The SECURE Act extends the adoption deadline for a tax year to the due date of the employer's tax return (including extensions), providing more flexibility to make contributions and reduce tax liabilities.

8 Costlier penalties

- The SECURE Act increases the penalties for failing to file retirement plan tax returns.
- The penalty for failing to file a Form 5500 is $250 per day, not to exceed $150,000 (up from $25 per day, with a maximum of $15,000).

9 Nondiscrimination Testing Relief

- The SECURE Act expanded participation to part-time employees by relaxing the hours of service requirement. These employees, however, can be excluded from safe harbor contributions as well as nondiscrimination and top-heavy requirements.
- The Act also modifies nondiscrimination rules for "frozen" pension plans that exclude new hires by allowing older, longer-serving and higher-paid employees to continue to accrue benefits under a defined-benefit plan while excluding younger, shorter-service and lower-paid employees.

10 Required Minimum Distributions

- The Act increases the age at which account holders must withdraw required minimum distributions to 72.
- Account holders who turned 70.5 years old in 2019 are still required to begin withdrawing minimum distributions during 2020.

11 Stretch IRAs

- The SECURE Act eliminates "stretch IRAs" and requires most non-spousal beneficiaries to withdraw all assets of an inherited account within 10 years.

12 Adoption Benefits

- The Act allows a $5,000 withdrawal without penalty for birth or adoption of a child.

13 Student Loan Withdrawals

- The Act allows a $10,000 withdrawal from 529 plans without penalty to pay for student loans.