THE SECURE ACT

The SECURE Act represents the most significant retirement plan legislation in more than a decade. ***Pentegra applauds this legislation****, which benefits both employers and employees, by providing* ***administrative relief*** *along with* ***expanded retirement plan coverage*** *and* ***increased savings opportunitie****s to improve retirement security.*

Expands Coverage

- Allows employers of all sizes and types of businesses to join together to create **"open" multiple-employer plans (MEPs)** to make retirement plans more accessible
- Allow **long-term, part-time workers** to participate in 401(k) plans

Increases Tax Credits

- **Increases tax credits** for small employers who start new retirement plans—from $500 per year to as much as $5,000 per year for three years
- Adds an additional $500/year **tax credit** for new plans that include automatic enrollment

Preserves Savings

- Delays the required **minimum distribution** age from 70½ to 72
- Increases the cap on **auto-escalation** of contributions for certain safe harbor 401k plans from 10% to 15% of pay after the first year
- Encourages **lifetime income options** through new participant disclosures, new provider selection rules and new ways to increase the portability of lifetime income investments
- Prohibits DC plans from **extending loans** to participants using credit cards
- Relieves **nondiscrimination testing requirements** for closed defined benefit (DB) plans
- Provides **funding relief** for community newspaper pension plans and clarifies church plan requirements

Eases Burdens for Employers

- Offers **consolidated Form 5500 filing** for a "group of plans" using the same fiduciaries and investments for certain DC plans
- Provides more time to **retroactively adopt** certain retirement plans
- Makes it easier to adopt, change, and manage a **safe harbor 401(k) plan**
- Simplifies termination of **403(b) custodial plans** by permitting distributions in kind to individual custodial accounts
- Reduces **PBGC premiums** for cooperative and small-employer charity (CSEC) plans
- Reduces **payout period** for non-spouse beneficiaries of DC plans (and IRAs) to 10 years after the participant's (owner's) death

Eases Burdens for Individuals

- Eliminates the current **age 70½** limit for contributing to an IRA
- Allows **graduate students** to count stipends and non-tuition fellowship payments as compensation for IRA contribution purposes
- Permits **penalty-free withdrawals** of up to $5,000 from qualified retirement savings plans to help pay for **childbirth or adoption expenses** (with repayment permitted)
- Expands allowable expenses for **529 college savings plans** to include apprenticeships, or up to $10,000 of qualified education loan repayments
- Waives the **10% additional tax** on distributions for up to $100,000 of qualified disaster distributions
- Fixes the **"Gold Star Family"** tax problem, also known as the "widow's tax"

Increases Penalties

- Increases **penalties** for failure to file retirement plan returns (such as Forms 5500), required notifications of changes and required withholding notices
- Increases **penalties** for individuals who fail to file tax returns

Mandatory plan amendments to cover SECURE Act changes will not be required until the 2022 plan year for most plans.

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