January 2, 2024

The rollercoaster world of changes in the ERISA legislation scene continued to unfold over 2023. Most recently, the IRS released just last week guidance for twelve of the more than 90 provisions that were originally included in SECURE Act (Setting Every Community Up for Retirement Enhancement) introduced in 2019. However, given the number of provisions and complexity of the changes, even with this much welcomed guidance, there is still so much information that many plan sponsors may not know how to keep on track. We invite you to join us in navigating the evolving landscape of ERISA regulations with confidence and assurance. At Hedman Partners LLP, our suggestion has been to review the provisions each year based on their effective date to help minimize this information overload. Below is a summary of the main provisions that will be effective over the next few years:

Mandatory Provisions for taxable/calendar years beginning after December 31, 2023:

- RMDs – Roth Accounts - Roth amounts are no longer required to be included for RMD purposes during a participant's lifetime.
- RMDs for surviving spouses of deceased participants - Surviving spouses (if the sole beneficiary of their deceased spouses' retirement account) can elect to delay the RMD payment until the deceased spouse would have reached RMD age had they lived, if later than the surviving spouse's RMD age.
- Top Heavy rules modified - Plans that cover otherwise excludable employees (employees who have not attained age 21 or worked a year of service) can perform separate Top-Heavy tests for excludable and non-excludable employees.
- Long-Term Part-Time Eligibility - Employers must recognize that both the new two-year rule and the older three-year rule are currently in place. As a result, employees who qualify for the previous rule must be allowed to defer in 2024.

Optional Provisions for taxable/calendar years beginning after December 31, 2023:

- Employer Matching for Student Loan Repayments - Student loan payments could count as retirement contributions for the purpose of qualifying for matching contributions in a workplace retirement account. In addition, employers will be able to make contributions to their company retirement plan on behalf of employees paying student loans instead of saving for retirement. The matching contributions for student loan payments must vest under the same schedule as other matching contributions. Employees must be eligible for a match in order to receive the student loan matching contribution.
- Penalty-free Emergency Withdrawals - Plan participants will be able to withdraw up to $1,000 per year from their retirement savings account for emergency expenses without having to pay the 10% tax penalty for early withdrawal if they're under age 59½. The participant has the option to repay the distribution within 3 years. No further emergency distributions may be made during the 3-year repayment period until any amounts previously taken are repaid.

Optional Provisions for taxable/calendar years beginning after December 31, 2023 (Continued):

- Emergency savings - NHC participants can elect to make Roth contributions to a separate Emergency Savings Account through automatic payroll deductions. Participants must be allowed to make one withdrawal a month of $2,500.
- Small balance cash out limit increased -The threshold for cash out distributions related to terminated participant's vested account balances without the participants consent increased from $5,000 to $7,000. Participants who previously exceeded the $5,000 threshold but are still under $7,000 will be included under the new cash out provision
- Domestic abuse victim withdrawal - Participants experiencing domestic violence may take a withdrawal for the lesser of $10,000 or 50% of their account balance if taken within 12 months of an incident based on self-certification. The distribution is not subject to the 10% penalty on early withdrawals. Participants can repay the withdrawal over a 3-year period.

Other items of note that affect plans include the following:

The IRS granted a two-year extension to taxable years beginning after December 31, 2025 for the provisions that were required for employees with compensation greater than $145,000 and their catch-up contributions being allowed as designated Roth contributions only. This means that participants, regardless of compensation, can still make pre-tax catch-up contributions for the next two years.

Certain provisions of the IRS' Employee Plans Compliance Resolution System (EPCRS) were set to expire on December 31, 2023. There is now a safe harbor provision that allows that a plan will not fail to be a qualified plan merely because of a corrected error. A "corrected error" is a reasonable administrative error made in implementing automatic enrollment, automatic escalation features, or by failing to offer an affirmative election due to the employee's improper exclusion.

Lastly, the SECURE 2.0 Act required that beginning January 1, 2025, companies with a new 401(k) or 403(b) plan must automatically enroll all eligible participants with pretax contributions between 3% and 10%.

There is no doubt that as feedback is received from employers, service providers and other interest groups, that additional clarification and guidance for the provisions issued almost four years ago will continue to be released. As your trusted advisors, Hedman Partners LLP position ourselves at the forefront of these developments, ensuring not only comprehensive awareness but strategic preparedness. Together, we are committed to securing a compliant and robust future for your retirement endeavors, employing sound strategies and staying ahead of the curve.

Please feel free to give us a call if you have any audit needs, questions regarding the items noted above or have questions related to your plan by contacting Janet Thomerson at (661) 286-1543 or Janet.Thomerson@HPLLP.com