# The SECURE Act: What It Means for Your Company's Retirement Plan

*Presented by Jill Donnelly*

A bill that comprehensively reshapes the realm of employer-sponsored retirement plans for employers and employees alike has been passed into law. The bipartisan Setting Every Community Up for Retirement Enhancement (SECURE) Act—originally introduced in April 2019—was signed into law by President Trump on December 20, 2019.

**What Does the SECURE Act Mean for Retirement Plan Sponsors?**

The overwhelming narrative of the SECURE Act is the expansion of retirement plan coverage and the lowering of retirement savings hurdles for working Americans. With the passage of the SECURE Act, lawmakers seek to place the onus on employers to incentivize employees to invest in their own financial futures. The act is also intended to help employers overcome the challenges involved with offering and administering a workplace retirement plan.

Although the SECURE Act includes 29 provisions in total, below is a breakdown of those that specifically affect retirement plans.

- **Allow long-term, part-time employees to participate in the retirement plan.** Employers are required to offer eligibility to these employees once they complete either one full year of service (with more than 1,000 hours worked) or three consecutive years of service with at least 500 hours worked per year.
- **Allow open multiple employer plans (MEPs).** Open MEPs permit unrelated small businesses to band together in an open retirement plan arrangement. This enables companies with smaller plans to take advantage of economies of scale and employ features that typically are available only in larger plans.
- **Increase the automatic safe harbor deferral maximum to 15 percent.** Up from 10 percent, this increase raises the ceiling for employees to take advantage of automatic in-plan retirement saving.
- **Simplify 401(k) safe harbor rules by eliminating certain notice requirements.** Included among the eliminated requirements is the nonelective safe harbor 401(k) notice for plans that provide a 3 percent nonelective safe harbor contribution to employees. Lifting this requirement eases some of the administrative burden that falls on plan sponsors with respect to notice delivery.
- **Remove the restriction on retirement contributions after account owners reach age 70½.** This change makes it possible for account owners to make contributions to retirement accounts, regardless of their age.
- **Raise the age for required minimum distributions from 70½ to 72.** As a result, retirement savings can to last longer into retirement years as Americans' life expectancies increase.
- **Offer tax credits to businesses that offer an automatic enrollment provision to their employees in 401(k) and SIMPLE IRA plans.** This change incentivizes business owners and organizations to make saving easier for employees.

- **Require lifetime income projections to appear on plan participant benefit statements.** As a result, retirement savers are provided a clearer picture of their retirement savings progress.

**Next Steps**

The provisions of the SECURE Act go into effect on January 1, 2020. Given the proximity of the act's passage to its effective date, however, a remedial amendment period clause allows employers to make changes to their plans by the 2022 plan year (or the 2024 plan year for certain governmental plans). This clause will help ease the administrative burden on employers to comply with the new law.

For retirement plan administrators and business owners who offer a workplace retirement plan to their employees, the signs are clear: lawmakers are focused on improving the American retirement system through increased—and easier—access to retirement savings vehicles, particularly workplace retirement plans.

To prepare for the SECURE Act's impact on your company's retirement plan, review your plan's provisions and features with your third-party administrator, service providers, and plan advisor. Determine what plan amendments are required, as well as what enhancements can be made. These are good first steps toward setting your company's retirement plan up for future success, given the monumental legislative changes the SECURE Act brings.

Jill Donnelly is a financial advisor with BDS Financial Services at 324 Grove Street, Worcester, MA 01605. She offers advisory services as an Investment Adviser Representative of Commonwealth Financial Network®, a Registered Investment Adviser. She can be reached at (508)755-8883.