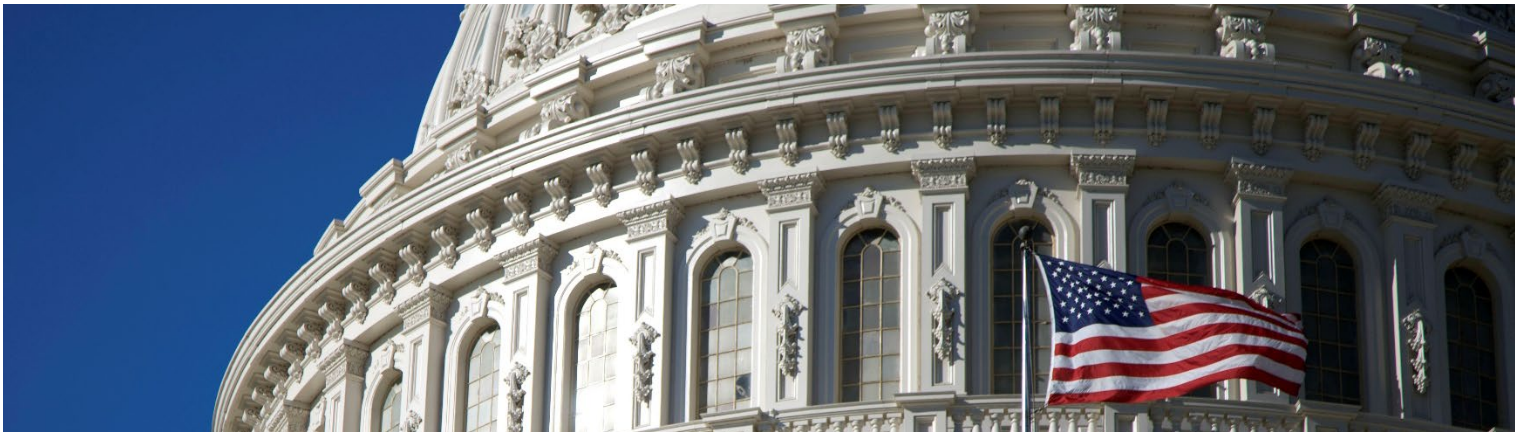

SECURE Act 2.0 Unpacked:
Critical Changes and BPAS Action Steps

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The SECURE 2.0 Act of 2022, signed into law by President Biden on December 29, 2022, as part of the Consolidated Appropriations Act of 2023, is one of the most impactful pieces of retirement legislation in recent years. With more than 90 provisions, the Act is designed to expand retirement plan access and participation across the nation.

At BPAS, our dedicated team of experts actively monitors each provision and its effective dates to ensure both we and our clients remain in full compliance—even as rules continue to evolve. Below is an overview of several key provisions (not an all-inclusive list) and a summary of our current implementation status. Bottom line: **When it comes to SECURE 2.0, BPAS has you covered.**

Section	Provision	Effective	M/O Mandatory/ Optional	Description	Implementation Status
101	EXPANDING AUTOMATIC ENROLLMENT IN RETIREMENT PLANS	Now	M	New 401(k) and 403(b) plans starting after December 31, 2024, must include automatic enrollment (3–10%), annual escalation (1% up to at least 15%), permissive withdrawals within 90 days, and a Qualified Default Investment Alternative (QDIA). Existing plans are grandfathered. Exceptions apply to government and church plans, employers with 10 or fewer employees, and businesses under 3 years old. In PEPs/MEPs, each employer is treated separately—new employers in a MEP/PEP are not grandfathered.	BPAS has identified and updated the impacted 401(k) and 403(b) plans.
109	HIGHER CATCH-UP LIMIT TO APPLY AT AGE 60, 61, 62, AND 63	After 12/31/2024 and before 01/01/2026	O	Under current law, employees who attained age 50 are permitted to make catch-up contributions under a retirement plan in excess of the otherwise applicable salary deferral limit ($23,500 for 2025). The new law increases the limit for employees aged 60, 61,62 and 63 who participate in the plan. For 2025, the higher catch-up limit is the greater of $10,000 or 150% of the regular catch-up contribution ($11,250 instead of $7,500).	BPAS has updated its systems, processes, and communications to support this optional provision. Payroll providers will continue monitoring participant deferral limits, including the additional limit for ages 60–63. Plan Sponsors should decide whether to adopt this feature, which can be added by contacting BPAS.

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110	TREATMENT OF STUDENT LOAN PAYMENTS AS ELECTIVE DEFERRALS FOR PURPOSES OF MATCHING CONTRIBUTIONS	After 12/31/2023 and before 01/01/2025	O	Allows plan sponsors to provide match contributions based on the combination of employee deferrals and qualified student loan payments. For purposes of nondiscrimination testing, student loan payments are not included as deferrals for actual deferral percentage (ADP) testing. The match counts toward actual contribution percentage (ACP). Employees participating in the student debt match can be tested inclusive of the population or independently, whichever is more favorable.	BPAS anticipates that it will be ready to support this optional feature in Q3, 2025.
115	WITHDRAWALS FOR CERTAIN EMERGENCY EXPENSES	After 12/31/2023 and before 01/01/2025	O	Allows participants to self-certify for one penalty-free emergency distribution per calendar year due to personal or family financial hardship. These distributions are exempt from the 10% early withdrawal penalty. The withdrawal is limited to the lesser of $1,000 or the vested balance exceeding $1,000 across all retirement plans (including IRAs) held under commonly controlled employers. Further withdrawals are restricted for three years unless the prior amount is repaid or offset by new deferrals.	Plan sponsors should consider whether they would like to offer this optional withdrawal provision in their plan. Optional withdrawals may be added by contacting BPAS.
121	STARTER 401(k) PLANS FOR EMPLOYERS WITH NO RETIREMENT PLAN	After 12/31/2023 and before 01/01/2025	O	Provides option for employers who don't currently offer a retirement plan.	BPAS has elected not to offer starter 401(k) plans.
125	IMPROVING COVERAGE FOR PART-TIME WORKERS	Now	M	Two key changes impact long-term, part-time (LTPT) employee provisions—one for 2024 and another for 2025 onward. **Note:** These updates also apply to Puerto Rico–only plans. 1. 2024 Plan Year – 401(k) Plans Service prior to 2021 is disregarded for vesting purposes. 401(k) plans in effect before 2021 will apply the three-year eligibility service requirement in 2024 without counting service accrued before 2021 toward vesting. Employers retain discretion over whether to offer LTPT employees employer contributions and include them in applicable nondiscrimination testing. 2. 2025 Plan Year – 401(k) and 403(b) Plans Subject to ERISA Expanded eligibility: LTPT workers become eligible after two consecutive years of service (500+ hours per year), or one year with 1,000 hours—unless covered by a collectively bargained plan. Dual eligibility requirements may apply. Service for vesting: For 401(k) plans, service before 2021 remains excluded. For ERISA-covered 403(b) plans, service prior to 2023 is disregarded to align eligibility and vesting. Employer discretion remains unchanged regarding contributions and nondiscrimination testing inclusion.	BPAS identified plans subject to LTPT employee provisions and sent communications about their status under the rules. The communication included an invitation to a webinar. For clients submitting data on all employees, we can identify LTPT employees directly. For clients not providing complete employee data, we requested a special file containing part-time employee hours and salary data for 2021 and 2022. Our process, procedures, forms, and systems to support this feature are all updated.

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127	EMERGENCY SAVINGS ACCOUNTS LINKED TO INDIVIDUAL ACCOUNT PLANS	After 12/31/2023 and before 01/01/2025	O	Allows employers to offer emergency savings accounts to non-highly compensated employees, with automatic enrollment up to 3% of eligible compensation. Employee contributions are capped at $2,500 (or lower as set by the employer), after which excess contributions may be redirected to a Roth defined contribution plan or paused. • Contributions are Roth-like elective deferrals and may be matched (up to the cap) • First four withdrawals per year are fee-free. • Upon separation from service, account balances may be taken as cash or rolled into a Roth plan or IRA.	Due to the complexities and limitations of this provision, BPAS recommends that this option be offered through the workplace, not through the retirement plan.
107 & 125	INCREASE IN AGE FOR REQUIRED BEGINNING DATE FOR MANDATORY DISTRIBUTIONS	Now	M	Increases the RMD age from 72 to 73 in 2023; then increases from 73 to 75 in 2033.	BPAS has implemented this change.
301	RECOVERY OF RETIREMENT PLAN OVERPAYMENTS	Now	O	Allows plan fiduciaries to not recoup inadvertent benefit overpayments from participants and beneficiaries if they were inadvertently overpaid from their retirement plans. However, if the plan fiduciary chooses to recoup overpayments, restrictions apply, including a new statute of limitations and limits on recoupment amounts; the trust must be made whole unless it is fully funded.	BPAS strongly recommends that Plan Sponsors continue to recoup benefit overpayments from participants and beneficiaries.
304	UPDATING DOLLAR LIMIT FOR MANDATORY DISTRIBUTIONS	After 12/31/2023 and before 01/01/2025	O	Increases the current dollar limit on amounts that may be transferred from former participants' retirement plan accounts to an individual retirement account (IRA) without consent from $5,000 to $7,000.	Plan Sponsors with a $5,000 limit were notified of the increase to $7,000 and offered the opportunity to opt out. The provision was implemented for plans that did not elect an opt-out and for all incoming plans.
311	REPAYMENT OF QUALIFIED BIRTH OR ADOPTION5 DISTRIBUTION LIMITED TO 3 YEARS	Now	O	Provides that qualified birth or adoption distributions (QBOAD) may be made in an amount up to $5,000 per child from employer plans and/or IRAs. The distribution is not subject to the 10% early withdrawal penalty. The distribution must be made within one year of the birth of the child or the finalization of the adoption. The individual may repay a qualified birth or adoption distribution as a rollover contribution to the plan or IRA from which the QBOAD was originally distributed from within three years.	Our process, procedures, forms, and systems to support this feature are updated. Plan sponsors should consider whether they would like to offer this optional withdrawal in their plan. Optional withdrawals may be added by contacting BPAS.

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312	EMPLOYER MAY RELY ON EMPLOYEE CERTIFYING THAT DEEMED HARDSHIP DISTRIBUTION CONDITIONS ARE MET	Now	O	Permits 401(k) and 403(b) plan administrators to rely on an employee's self-certification (unless they have knowledge to the contrary) of an immediate and heavy financial need, that the distribution is not in excess of the amount required to satisfy the need, and that a distribution is being made on account of one of the seven safe harbor hardship withdrawal reasons. A plan administrator is not required to substantiate the hardship by collecting source documents.	We have updated our hardship withdrawal form to support employee certification. Clients who do not wish to allow self-certification have been identified and provided with a form that requires Plan Sponsor approval for the hardship withdrawal.
314	PENALTY-FREE WITHDRAWAL FROM RETIREMENT PLANS FOR INDIVIDUAL IN CASE OF DOMESTIC ABUSE	After 12/31/2023 and before 01/01/2025	O	Allows retirement plans to permit participants who are victims of domestic abuse to self-certify their status and request a distribution for up to the lesser of $10,300, indexed for inflation, or 50% of the participant's vested account. The distribution is not subject to the 10% additional tax on early distributions. A participant can repay the withdrawn money from the retirement plan within three years.	Plan sponsors should consider whether they would like to offer this optional withdrawal in their plan. The optional withdrawals can be added by contacting BPAS.
315	REFORM OF FAMILY ATTRIBUTION RULE	After 12/31/2023 and before 01/01/2025	M	Reforms family attribution rules, specifically affecting how ownership is attributed between family members for purposes of retirement plan aggregation and nondiscrimination testing.	BPAS has updated processes, procedures, communications, and systems to support this feature.
316	AMENDMENTS TO INCREASE BENEFIT ACCRUALS UNDER PLAN FOR PREVIOUS PLAN YEAR ALLOWED UNTIL EMPLOYER TAX RETURN DUE DATE	After 12/31/2023 and before 01/01/2025	O	Offers employers flexibility to make retroactive plan amendments that increase benefit accruals.	BPAS has updated processes, procedures, communications, and systems to support this feature.
326	EXCEPTION TO PENALTY ON EARLY DISTRIBUTIONS FROM QUALIFIED PLANS FOR INDIVIDUALS WITH A TERMINAL ILLNESS	Now	O	The IRS has confirmed that the terminal illness provision in SECURE 2.0 does not create a new in-service withdrawal option. However, participants eligible for an existing distribution may use this provision to avoid the 10% early withdrawal penalty. Withdrawals may also be repaid within three years. To qualify, participants must provide a physician's certification confirming the terminal illness, as outlined in the IRS guidance.	BPAS has updated procedures and systems to support this provision.
332	EMPLOYERS ALLOWED TO REPLACE SIMPLE RETIREMENT ACCOUNTS WITH SAFE HARBOR 401(k) PLANS DURING A YEAR	After 12/31/2023 and before 01/01/2025	O	Allows employers to replace a SIMPLE IRA plan with a safe harbor 401(k) plan mid-year.	BPAS has updated processes, procedures, communications, and systems to support this feature.

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602	HARDSHIP WITHDRAWAL RULES FOR 403(b) PLANS	After 12/31/2023 and before 01/01/2025	O	Aligns 403(b) plan and 401(k) plan hardship withdrawal rules by permitting 403(b) plan participants to receive hardship distributions from (1) salary reduction contributions; (2) QNECs; (3) QMACs; and (4) the earnings on salary reduction contributions, QNECs, and QMACs, regardless of whether the amounts are held in a 403(b)(1) annuity contract or a 403(b)(7) custodial account. Confirms that 403(b) plan participants are not required to take available loans before obtaining a hardship distribution.	BPAS has implemented this change for eligible 403(b) plans that did not opt out.
603	ELECTIVE DEFERRALS GENERALLY LIMITED TO REGULAR CONTRIBUTION LIMIT	Now effective 01/01/2026	M	If age 50 catch-up contributions are permitted under the plan and the plan offers Roth, then the contributions must be made on a Roth basis for employees whose wages from the same employer (as defined for Social Security FICA tax purposes) were greater than $145,000 (indexed) in the prior calendar year.	The IRS released a delay for the implementation date to January 1, 2026. BPAS will provide additional details on adding Roth sources to plans that do not currently offer Roth (plan configuration update) in the future.
604	OPTIONAL TREATMENT OF EMPLOYER MATCHING OR NONELECTIVE CONTRIBUTIONS AS ROTH CONTRIBUTIONS	Now	O	Employers may permit employees to elect all or some of their matching and nonelective contributions to be treated as Roth contributions.	Due to SECURE Act 2.0 Mandatory provisions and low demand, BPAS is currently pending implementation of this option. Participants interested in this option may elect an in-plan conversion to convert all or part of their match or non-elective contributions to Roth.

We'll continue to monitor developments to keep you in the loop. We're all in this together.
Please feel free to reach out to your BPAS representative with any questions.

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