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On December 20, 2019, Congress enacted the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which incorporates the most significant changes to retirement plans since the Pension Protection Act of 2006. The act aims to help employers offer retirement plans and to expand retirement savings for participants. Plan sponsors and participants will undoubtedly be impacted by the provisions that generally took effect on or near January 1, 2020.

The key highlights that will impact plan administration are:

- The Required Minimum Distribution (RMD) age increases from 70½ to 72. If a participant previously reached 70½ by December 31, 2019, RMDs must be made under the old rules. However, should a participant reach 70½ on or after January 1, 2020, they are not required to begin taking RMDs until the year in which they reach 72. The 5% ownership and attribution rules related to RMDs remain unchanged.
- Non-spouse beneficiaries of participants who become deceased during 2020 or after may be required to distribute their entire benefit within 10 years.
- Qualified birth or adoption in-service withdrawals up to $5,000 may be permitted.
- The Qualified Automatic Contribution Arrangement (QACA) deferral limit increases from 10% to 15%.
- The annual safe harbor notice for plans with only non-elective contributions has been eliminated. In addition, there is added flexibility in the time when a plan may choose to amend to safe harbor non-elective status.

- Defined Benefit, Money Purchase and governmental 457(b) plans may elect to allow in-service distributions at age 59½.
- Employers who establish a new plan and/or incorporate automatic enrollment into their 401(k) plan may be eligible for increased tax credits.
- Deadlines for adopting a new plan have been extended.
- Penalties for failure to file annual reports timely have significantly increased.
- 401(k) plan sponsors must allow employees who work at least 500 hours during each of three consecutive years to make 401(k) deferrals, if otherwise excluded from participation. Service prior to December 31, 2020, is disregarded. Thus, the earliest any of these employees who work limited hours may enter a plan is in 2024. These participants may be excluded from employer contributions and are eliminated from plan discrimination testing.

While the new provisions have been enacted and are currently in effect, required plan amendments incorporating these changes into current plan documents are due by the last day of the 2022 plan year. Please watch for further guidance from our office regarding these amendments and additional details on the items mentioned above. Feel free to contact First American Bank Retirement Plan Services at (847) 392-2999 with any questions or concerns you may have.