Manulife Retirement | John Hancock

A look inside SECURE 2.0 Act

Updated April 4, 2025

After months of uncertainty and a number of proposals, Congress finally passed the SECURE 2.0 Act of 2022 (SECURE 2.0, or Act) as part of a year-end appropriations bill. On December 29, 2022, the president signed SECURE 2.0 into law.

SECURE 2.0 continues the work begun by the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, making clarifications on the original content and expanding into new territory. As such, this new legislation includes policy changes that will affect defined contribution (DC) plans, defined benefit (DB) plans, and individual retirement accounts (IRAs).

The key retirement provisions focus on:

- Encouraging plan establishment through increased small employer tax credits
- Providing multiple design options for sponsors of new and existing plans
- Expanding the use of Roth contributions
- Establishing rules for the creation of and access to savings for emergency purposes
- Changing the required minimum distribution (RMD) rules
- Permitting matching contributions on student loan repayments
- Simplifying plan administration and providing mechanisms to correct inadvertent errors

Plan amendments related to SECURE 2.0 provisions are due by the last day of the first plan year beginning on or after January 1, 2025, or such later date as the secretary of the Treasury may prescribe. This deadline was extended to December 31, 2026, and further extended for governmental plans and collectively bargained plans pursuant to IRS Notice 2024-02.

As with any new legislation, however, there are many questions that need to be answered, and guidance or relief will be needed for certain provisions.

A look inside SECURE 2.0, Division T of the appropriations bill

SECURE 2.0 contains a significant number of retirement provisions. Although not an exhaustive accounting, we've summarized and provided our perspective on some of the key provisions included in the Act, laid out in order of their effective dates.

Table of contents

Table of contents (continued)

Section 331

Withdrawal for federally declared disasters

For disasters occurring on or after January 26, 2021

Summary

The Act provides permanent disaster withdrawal rules for DC plans (including 401(k), profit-sharing, money purchase, 403(b), and governmental 457(b) plans) and IRAs that opt to permit disaster withdrawals. The maximum withdrawal amount is $22,000 per disaster.

- Plans of affiliated employers will need to monitor this across all plans.
- The taxable withdrawal amount is included in income over three years unless the participant elects otherwise.
- The withdrawal is exempt from the 10% early withdrawal penalty tax, direct rollover requirements, and mandatory 20% federal tax withholding.
- Repayment is permitted within three years after the date of withdrawal to a plan or IRA (a different repayment period applies to unused first-time home buyer withdrawals).
- Loan terms can be modified to increase the maximum loan amount (up to $100,000), permit use of a participant's fully vested account as loan collateral, and suspend loan repayments for up to one year.

Manulife John Hancock Retirement viewpoint

Having disaster withdrawal rules in place before disasters occur will enable participants to access their vested accounts more quickly at a time when they may need it the most, but they add an additional level of complexity to plan administration.

Sections 102 and 111

Modification of credit for small employer pension start-up costs

Section 102—For taxable years beginning after December 31, 2022

Section 111—For taxable years beginning after December 31, 2019 (effective retroactively)

Summary

The three-year start-up credit for employers with up to 100 employees is 50% of qualified start-up costs, with an annual limit of $5,000 (or if less, $250 times the number of non-highly compensated employees, with a minimum of $500). Section 102 of SECURE 2.0 increases the 50% limit to 100% for employers with up to 50 employees, subject to the same annual dollar limit. The 50% limit remains the same for employers with 51 to 100 employees. For this purpose, qualified start-up costs are generally defined as ordinary and necessary costs needed to set up and administer the plan or to educate employees about the plan.

An additional credit for eligible employer contributions (except in the case of DB plans) is available to eligible employers for five years. The additional credit amount will be based on an applicable percentage of the amount contributed by the employer on behalf of employees (excluding salary deferrals), up to $1,000 per employee (excluding employees with wages that exceed $100,000—indexed for inflation). The applicable percentage is as follows:

- First year: 100%
- Second year: 100%
- Third year: 75%
- Fourth year: 50%
- Fifth year: 25%
- Sixth year and thereafter: 0%

Employers with 50 or fewer employees are eligible for the full credit, but the credit is phased out for employers with between 51 and 100 employees.

Paired with the above, Section 111 of SECURE 2.0 clarifies that a small employer that joins a multiple employer plan (MEP) or pooled employer plan (PEP) is eligible for the full start-up credit, provided that the small employer is otherwise eligible. This applies regardless of how many years the MEP was previously in existence.

Manulife John Hancock Retirement viewpoint

The expanded tax credit provides a strong incentive for small employers that may be otherwise hindered by the administrative burdens and costs involved in establishing a retirement plan for employees.

Section 107

Increased RMD age

For distributions required to be made after December 31, 2022, with respect to individuals who attain age 72 after such date

Summary

Under the SECURE Act of 2019, the RMD age was increased from 70½ to 72 for employees born after June 30, 1949. Section 107 of SECURE 2.0 further increased the RMD age to 73 for employees born after December 31, 1950, and before January 1, 1960, and then increased to age 75 for employees born after December 31, 1958.

There is a technical glitch in this provision as employees born during 1959 are subject to both age 73 and age 75. However, under the proposed RMD regulations (July 19, 2024), the applicable age for an employee who was born in 1959 would be age 73.

Manulife John Hancock Retirement viewpoint

Increasing the RMD age delays the RMD start date, which means that funds may continue to grow in a retirement account for a longer period and, in turn, enable retirees to improve their financial future.

Section 113

Small immediate financial incentives for contributing to a plan

For plan years beginning after December 29, 2022

Summary

This provision amends the law to allow for a de minimis financial incentive to be provided to employees who elect to contribute to the sponsor's 401(k) or 403(b) plan. This incentive can't be paid with plan assets and wouldn't be deposited into the retirement account.

Manulife John Hancock Retirement viewpoint

These de minimis financial incentives could be used to further encourage unenrolled participants to participate in the retirement plan.

Section 301

EPCRS: overpayment recovery

Effective December 29, 2022

Summary

The Act codifies rules regarding recovery of inadvertent overpayments from qualified, 403(a), 403(b), and governmental plans (other than 457(b) plans). The Act includes fiduciary relief for decisions to not recoup inadvertent overpayments (including failure to make the plan whole), subject to certain requirements (including that minimum funding rules are satisfied, if applicable), and, if such decision is made, any amount rolled over will continue to be an eligible rollover distribution. Plan fiduciaries can continue to recoup overpayments, subject to the following:

1. The recoupment process must commence within three years of the first overpayment.
2. Earnings on overpayments can't be recouped.
3. Limitations are put on overpayments that are recouped by reducing future payments, including not reducing future payments by more than 10%.
4. Limitations are put on references to litigation in participant notifications and use of collection agencies.
5. The plan's claims procedures must be available to contest recoupment.

The Act retains that plan sponsors can amend plans retroactively to reflect plan operations and adds that plans can be amended to reduce future payments to recover the overpayment.

Manulife John Hancock Retirement viewpoint

The permanency of the overpayment recoupment rules should prove beneficial to both plan sponsors and participants. The three-year limitation on recoupment of overpayments should reduce participant financial hardship. In addition, the fiduciary safe harbor for not recouping is welcome news for plan sponsors who previously worried that failure to recoup could be a breach of fiduciary duty or result in loss of the plan's tax qualified status.

Section 302

Reduction in excise tax on certain accumulations in qualified retirement plans

For taxable years beginning after December 29, 2022

Summary

This provision reduces the excise tax from 50% to 25% on RMDs that aren't taken in a timely manner. In addition, if the failure to take an RMD is corrected within a defined correction window, the excise tax on the failure is reduced even further to 10%.

Manulife John Hancock Retirement viewpoint

The reduction to the excise tax provides welcome relief to individuals in the event an RMD isn't distributed in a timely manner. The previous 50% excise tax was extremely excessive because late RMDs are generally due to inadvertent oversight rather than an attempt to avoid the distribution.

Section 311

Repayment of QBAD limited to three years

For distributions made after December 29, 2022 (with special rules for earlier distributions)

Summary

The SECURE Act of 2019 introduced the qualified birth or adoption distribution (QBAD), which allowed plan sponsors to provide participants with additional access to amounts in their retirement plan accounts—within 12 months after the birth of a child or the date of finalization of adoption of an eligible adopted child. The original act and subsequent guidance, however, wasn't clear about the timeframe in which amounts had to be recontributed and created uncertainty as to the timeframe for the repayment to qualify as a rollover distribution. SECURE 2.0 now restricts the recontribution period to 3 years beginning on the day after the date on which the QBAD was dispersed. In addition, the repayment period for distributions made prior to SECURE 2.0 ends on December 31, 2025.

Manulife John Hancock Retirement viewpoint

This provision brings clarity to the recontribution period that's allowed. The QBAD must be recontributed to the plan within three years of the distribution in order to qualify as a rollover contribution, which is similar to other provisions in SECURE 2.0. This clarification should help provide financial assistance in the event of a birth or adoption while mitigating retirement plan leakage by allowing participants to recontribute over a three-year period.

Section 312

Hardship withdrawal certification

For plan years beginning after December 29, 2022

Summary

401(k) and 403(b) plans can rely on employee certifications that:

- Their hardship withdrawal is being taken for one of the safe harbor hardship reasons.
- The withdrawal requested doesn't exceed the amount needed to alleviate the hardship.
- The participant has no other reasonably available resources to alleviate the hardship.

A similar rule applies with respect to unforeseeable emergency withdrawals from a 457(b) plan. The IRS, by regulation, can limit the use of self-certification—such as in the unlikely case where the plan administrator has actual knowledge to the contrary—and address consequences of participant misrepresentations.

Manulife John Hancock Retirement viewpoint

Self-certification enables hardship withdrawals taken for one of the safe harbor reasons to be done electronically. The benefits include eliminating the need for plan administrators to review and approve hardship documentation and helping participants receive such hardship withdrawals faster.

Section 320

Simplified requirements for unenrolled participants

For plan years beginning after December 31, 2022

Summary

Before SECURE 2.0, various retirement plan notices and disclosures must be distributed to all eligible employees regardless of whether they made an election to participate in the retirement plan. Section 320 of SECURE 2.0 removes this requirement for unenrolled participants (i.e., those who are eligible but not enrolled), but only if such participants receive:

1. An SPD and any other notice required upon initial eligibility under the plan
2. An annual reminder notice regarding the participant's eligibility, pertinent plan information, and any deadlines under the plan
3. Any other plan document to which the participant is otherwise entitled, on request

Manulife John Hancock Retirement viewpoint

Before adopting this optional provision, plan sponsors and their providers may want to first evaluate whether creating the new reminder notice and providing it to only a subset of their employee population (unenrolled participants) reduces or increases the complexity of their notice and disclosure burdens, compared with the current practice of sending the same notices and disclosures to all eligible employees.

Section 326

Exception to penalty on early distributions from qualified plans for individuals with a terminal illness

For distributions made after December 29, 2022

Summary

The current tax code imposes a 10% penalty for distributions taken from a retirement account prior to reaching age 59½. This provision allows penalty-free withdrawals to certain terminally ill patients.

- The individual's physician must certify that the individual has a terminal illness or condition that can reasonably result in death within 84 months.
- The individual must otherwise be eligible for a distribution under the plan.

The withdrawal may be repaid to the plan within three years, following the rules for QBAD withdrawals.

Manulife John Hancock Retirement viewpoint

This provision exempts a distribution to a terminally ill individual from the 10% early withdrawal penalty tax but does not create a new in-service withdrawal type for otherwise restricted amounts such as 401(k) or safe harbor contribution accounts. This means that in order to take advantage of this penalty-free withdrawal, the terminally ill individual must be otherwise eligible for a distribution under the plan.

Section 345

Annual audits for a group of plans

Effective on December 29, 2022

Summary

The SECURE Act of 2019 permits a single Form 5500 to be filed for a group of plans (i.e., DC plans that have the same trustee, named fiduciary, plan administrator, and investment options). SECURE 2.0 clarifies that, in such a case, an independent auditor's report is required only for those individual plans that have 100 or more participants.

Manulife John Hancock Retirement viewpoint

This is welcome clarification that participation in a group of plans won't change the independent auditor's report requirement, which will continue to apply on a plan-level basis. This will allow employers that have fewer than 100 participants to be part of a group of plans without having to obtain an independent auditor's report. In addition, this will be of interest to TPAs, who may be able to complete a single Form 5500 covering their clients participating in a group of plans without that causing their smaller clients to become subject to the independent auditor's report requirement.

Section 348

Cash balance

For plan years beginning after December 29, 2022

Summary

The design of a retirement plan can't discriminate in favor of older employees. A hybrid DB plan that uses a variable interest crediting rate would generally use the plan's prior year interest crediting rate (but not below zero) in testing the design of the plan for the current year. The Act clarifies that the interest crediting rate to be used for this purpose (as both the rate in effect and as the projected interest crediting rate) is a reasonable projection of such variable interest crediting rate, but not greater than 6%.

Manulife John Hancock Retirement viewpoint

This change is focused on the accrual rules used to determine the design of the plan but doesn't affect the interest crediting that goes into actual benefits. This could result in some sponsors redesigning their plan to have more generous pay credits for older workers.

Section 349

Termination of variable premium indexing for DB plans

Effective as of December 29, 2022

Summary

DB plan sponsors pay an annual amount to the Pension Benefit Guaranty Corporation (PBGC) that comprises a flat premium based on the number of participants and a variable premium that depends on the funded status of the plan. This variable rate has been indexed for many years, and the Act freezes that indexing at its current rate. The $52 per $1,000 variable rate premium for 2023 will continue unchanged for future plan years, but the indexing of the flat premium will continue.

Manulife John Hancock Retirement viewpoint

Underfunded pension plans have seen a dramatic increase in the premiums required by the PBGC over the past several years due to the indexing of the variable rate. This freeze will limit further escalation.

Section 604

Optional treatment of employer matching or nonelective contributions as Roth contributions

For contributions made after December 29, 2022

Summary

With this provision, plan sponsors of 401(k), 403(b), and governmental 457(b) plans may offer participants the ability to designate employer matching or nonelective contributions as Roth contributions. Student loan matching contributions can also be designated as Roth contributions. Matching and nonelective contributions designated as Roth contributions may not be excluded from the employee's income, but future earnings on the designated Roth contributions won't be taxed if distributed as a qualified Roth distribution. These optional Roth employer contributions are available for fully vested employer matching and nonelective contributions. Currently some plans offer an in-plan Roth conversion feature, whereby participants may convert previously contributed employer contributions to Roth contributions through separate employee-initiated elections. This provision extends this ability to employer contributions by allowing the acceleration of the Roth election to take effect at the time the employer contributions are contributed to the plan rather than effectuating a separate in-plan Roth conversion election later.

Manulife John Hancock Retirement viewpoint

From a practical standpoint, it may take time for plan sponsors and service providers to offer this feature. Plans that have a vesting schedule (especially a graded schedule) will need to consider how and when to offer their participants the ability to make this election and whether to make changes to the plan's vesting schedule to facilitate these elections. Additionally, service providers will need to establish administrative processes for soliciting and processing employees' elections.

Another consideration is how sponsors will likely want to communicate the availability of this election to their employees and provide employees with resources that explain the tax implications.

Section 110

Treatment of student loan payments as elective deferrals for purposes of matching contributions

For contributions made for plan years beginning after December 31, 2023

Summary

Employers will be permitted (although not required) to make matching contributions under 401(k), 403(b), or governmental 457(b) plans, or Savings Incentive Match Plan for Employees (SIMPLE) IRAs with respect to qualified student loan payments. A qualified student loan payment is generally defined as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee, the employee's spouse, or the employee's dependent. The employer may rely on employee certification of qualified student loan repayments.

For purposes of nondiscrimination testing, the provision permits a plan to separately test the employees who receive matching contributions on student loan repayments using one of the methods described in Q&A, D-1 of IRS Notice 2024-63.

Manulife John Hancock Retirement viewpoint

This provision allows employees who are repaying their student loans and unable to save, or to save as much as they might like, for retirement to receive matching contributions.

Section 115

Withdrawals for certain emergency expenses

For distributions made after December 31, 2023

Summary

In addition to the new emergency savings account option under Section 127, this provision permits one withdrawal per year to pay for "unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses" without the Internal Revenue Code 72(t) 10% penalty tax for early withdrawal. The amount is limited to up to $1,000 per year (or, if the account is less than $2,000, the amount that exceeds $1,000), and the emergency withdrawal can be repaid to the plan (or IRA) within three years (like the QBAD repayment rules referenced in Section 311 of SECURE 2.0). A participant isn't permitted to take another emergency withdrawal from the same plan or IRA in the three-year period unless the participant has repaid the emergency withdrawal or made contributions that equal or exceed the amount of the prior emergency withdrawal to the plan or IRA. These emergency expense withdrawals aren't permitted in DB plans.

Manulife John Hancock Retirement viewpoint

This is an **optional** provision that makes retirement savings more accessible in the event of certain personal or family emergency expenses. A plan administrator can rely on the participant's certification that the withdrawal is for an emergency expense. The amount of

Sections 116 and 117

Additional nonelective contributions and increased deferral limits permitted in SIMPLE plans

For taxable years beginning after December 31, 2023

Summary

Section 116 permits employers to make an additional nonelective contribution to participants in SIMPLE IRAs or SIMPLE 401(k) plans. The contribution must be a uniform percentage up to 10% and may not exceed $5,000, which is indexed for inflation.

Section 117 increases the annual contribution limits by 10% for salary deferrals and catch-up contributions in SIMPLE IRAs. Generally, the increased limit applies to eligible employers with no more than 25 employees. It also applies to eligible employers with more than 25 but no more than 100 employees, but only if the SIMPLE IRA provides increased employer contributions (e.g., 4% match instead of 3%, or 3% nonelective contribution instead of 2%). In the event an eligible employer exceeds the employee threshold, a transition rule (i.e., two-year grace period) applies. Similar rules apply to SIMPLE 401(k)s. The increased limits only apply to employers that haven't maintained a 401(k) or 403(b) plan within three years.

Manulife John Hancock Retirement viewpoint

These provisions may provide increased participant retirement savings and tax advantages for a small business, but these increased limits are still considerably lower than those permitted under a traditional 401(k) plan.

Section 120

Exemption for certain auto-portability transactions

Effective for transactions occurring on or after December 29, 2023

Summary

Current law allows plan sponsors to distribute a participant's account balance or accrued benefit if the value is less than $5,000—an amount that's been increased to $7,000 by Section 304—and roll the account into a default IRA without the participant's consent after the participant incurs a distributable event (such as severance from employment). Participants must receive advance notice and be given an opportunity to make an affirmative election to receive the distribution or make their own rollover election.

SECURE 2.0 creates a new prohibited transaction exemption that permits a retirement plan service provider, subject to several conditions (including acknowledging fiduciary status), to provide a plan with automatic portability services that transfer the default IRA account into a participant's current employer's plan, unless the participant elects otherwise. The U.S. Department of Labor (DOL) has been directed to issue further guidance and conduct studies related to this exemption.

Manulife John Hancock Retirement viewpoint

This change could help increase account consolidation and reduce plan leakage, especially for participants with smaller balances who might otherwise cash out their retirement plans when they leave jobs. This may also result in a reduction of the number of unlocatable or missing participants.

Section 121

New starter 401(k) plan

For plan years beginning after December 31, 2023

Summary

An employer that doesn't maintain a retirement plan may establish a starter 401(k) or safe harbor 403(b) plan. Both types of plans, generally, must:

- Limit contributions to elective deferrals only
- Cover all employees except those who can be excluded by statute
- Have automatic deferrals at a rate of at least 3% but not more than 15%
- Have an elective contribution limit of $6,000 (indexed for inflation)
- Have a catch-up contribution limit equal to the IRA catch-up contribution limit (which is now indexed for inflation under SECURE 2.0)

Starter 401(k) and safe harbor 403(b) plans aren't subject to average deferral percentage (ADP) and top-heavy testing.

Manulife John Hancock Retirement viewpoint

For small employers that don't sponsor a retirement plan and aren't ready to make employer matching or nonelective contributions, this may be an attractive alternative to setting up a 401(k) plan with employer contributions or a state-mandated IRA. In addition, the cost of establishing a starter 401(k) plan may be offset by the increased tax credit available to small employers. For plan years after December 31, 2024, starter 401(k) and safe harbor 403(b) plans maintained by employers with more than 10 employees will have to comply with the automatic increase provision in Section 101 of SECURE 2.0.

Section 126

Rollovers from 529 plans to Roth IRAs

For distributions after December 31, 2023

Summary

The designated beneficiary of a 529 account that's been maintained for at least 15 years may request a tax-free direct rollover of the account's assets to such designated beneficiary's Roth IRA. The rollover may only consist of contributions (and related earnings) that were in the 529 account for at least 5 years, subject to a lifetime rollover maximum of $35,000. In addition, the rollover is subject to Roth IRA contribution limits and the requirement that a Roth IRA owner have includable compensation at least equal to the amount of the rollover.

Manulife John Hancock Retirement viewpoint

This provision is welcome news for 529 account beneficiaries who have assets in their 529 account that they're unable to use for education expenses. Previously, in order to use excess assets in a 529 account, the account owner can designate certain other family members as a new beneficiary of the account who could then use the account assets for education expenses. This provision creates a new way for a 529 account beneficiary to retain and use excess 529 account assets by rolling them over to a Roth IRA.

Section 127

Emergency savings accounts linked to individual account plans

For plans years beginning after December 31, 2023

Summary

This provision allows plan sponsors to add a "pension-linked emergency savings account" to their retirement plan. To contribute to a pension-linked emergency savings account, an employee must meet the eligibility criteria established by the plan and not be a highly compensated employee. Plan sponsors can also opt to automatically enroll participants into the pension-linked emergency savings account with a contribution rate no greater than 3%. The total amount in a participant's account is limited by the plan but can be no more than $2,500 (indexed annually). Once the cap is reached, additional contributions may be directed to the employee's Roth contribution account or stopped until the pension-linked emergency savings account balance falls below the cap. There can't be a minimum contribution or account balance requirement.

The pension-linked emergency savings account must be funded post-tax with Roth contributions and invested in cash, an interest-bearing deposit account, or in an investment product designed to preserve principal. Withdrawals must be allowed from the account at least once per month (and processed as soon as practicable), and at least the first four withdrawals from the account may not be assessed any fees for said transaction. Withdrawals are penalty free and don't need to be substantiated to show a qualifying emergency cause. On termination of employment, any pension-linked emergency savings account balance can be converted to the Roth account within the plan or distributed to the participant.

The deferrals to the pension-linked emergency savings account would be eligible for any matching contributions provided under the plan, with an annual matching cap set at the maximum account balance (i.e., $2,500 or a lower amount established by the plan).

Additional disclosures and notices related to the pension-linked emergency savings account would be required but may be combined with other notices. Sponsors that add a pension-linked emergency savings account to their plan can eliminate that provision at any time without violating the anti-cutback rules.

Manulife John Hancock Retirement viewpoint

This provision is clearly aimed at addressing the significant number of households unable to withstand a financial emergency. The use of the retirement plan as a platform allows plan sponsors to offer employees a solution without violating state anti-garnishment laws or plan withdrawal provisions. These accounts could also reduce loan-related leakage in retirement plans by offering participants an alternative source of funds for financial emergencies. This is a substantial and unique provision built on a retirement chassis. Time will tell if it helps to lessen the financial stress of the many participants unable to withstand a sudden financial emergency.

Section 304

Updating dollar limits for mandatory distributions

For distributions after December 31, 2023

Summary

Plan sponsors are permitted to effectuate an involuntary rollover of former participants' accounts to an IRA if the vested account is below a certain threshold provided certain requirements are met. This provision increases the threshold for making involuntary distributions from $5,000 to $7,000.

Manulife John Hancock Retirement viewpoint

To the extent that a plan doesn't have a cash-out limit for terminated participants or the plan only requires lump-sum payments for balances of $1,000 or less, then, as a best practice, a plan sponsor should consider rolling over all terminated balances of $7,000 or less to an IRA to lessen the impact of stale-dated or uncashed checks and to mitigate potential audit issues.

Section 310

Exemption of otherwise excludable employees from top-heavy minimum contributions

For plan years beginning after December 31, 2023

Summary

Plans that allow for entry earlier than the statutory eligibility requirements of age 21 and one year of service may separately account for employees who enter the plan before meeting those minimum eligibility requirements (i.e., otherwise excludable employees) for the purposes of coverage and nondiscrimination testing. However, before SECURE 2.0, they could not do so for the purposes of top-heavy requirements. Now, DC plans may disregard otherwise excludable employees when determining whether a plan meets the top-heavy minimum contribution requirement.

Manulife John Hancock Retirement viewpoint

This provision allows plan sponsors of top-heavy plans to permit early entry without the obligation of additional top-heavy contribution expenses. This will generally benefit small employer plans since retirement plans of large employers are generally not top heavy.

Section 314

Penalty-free withdrawals for domestic abuse victims

For distributions made after December 31, 2023

Summary

This provision permits victims of domestic abuse to take a penalty-free withdrawal from a retirement plan (excluding pension assets, such as from a money purchase or DB plan) or IRA. The aggregate amount of such withdrawals for any individual can't exceed the lesser of $10,000 (indexed for inflation) or 50% of the participant's vested account balance. Plan administrators may rely on a participant's certification of eligibility for such distribution. Similar to a QBAD, this distribution is exempt from the 10% early withdrawal penalty tax, direct rollover requirements, and mandatory 20% federal tax withholding. Also, all or any portion of the distribution may be repaid to the retirement plan or to an IRA within three years.

Manulife John Hancock Retirement viewpoint

This new withdrawal type could act as a lifeline to those in serious need of funds with the hope that recipients will be able to remove themselves from the dangerous situation, get back on their feet, and eventually repay all or a portion back to their retirement plan or IRA.

Section 315

Modification to family attribution rules

For plan years beginning after December 31, 2023

Summary

When applying most retirement plan requirements, certain related employers are treated as a single employer. The determination of whether employers are related is quite complicated and often involves looking at common ownership between companies. For this purpose, ownership is attributed to certain family members to determine whether common ownership exists. For example, previously, ownership was attributed to a minor child from a parent, so that if both parents of a minor child each own their own company, those companies would be considered related, even in the case of a divorce. Section 315 of SECURE 2.0 modifies the attribution rules so that attribution from parents to their minor child won't by itself result in related employers. Further, community property laws will be disregarded when determining ownership.

Manulife John Hancock Retirement viewpoint

The modification to the family attribution rules is long overdue. This change should reduce the existence of inadvertent related employers and the negative impact they cause on their respective retirement plans, especially involving sole proprietors of small businesses.

Section 316

Retroactive amendment that increases benefits

For plan years beginning after December 31, 2023

Summary

Generally, a discretionary amendment to a retirement plan must be adopted before the plan year end. SECURE 2.0 allows employers up until their tax return deadline (including extensions) to adopt the amendment, provided such amendment results in an increased benefit (other than an increase to matching contributions).

Manulife John Hancock Retirement viewpoint

This provision gives employers the flexibility to increase benefits in a retirement plan after their fiscal year accounting is finalized and profits are known.

Section 325

Exemption of pre-death RMDs from Roth accounts

For taxable years beginning after December 31, 2023 (doesn't apply to distributions that are required with respect to years beginning before January 1, 2024, but are permitted to be paid on or after such date)

Summary

This provision provides an exemption of Roth amounts in employer retirement plans from pre-death RMDs. This change aligns the RMD rules for Roth amounts under employer retirement plans with the Roth IRA RMD rules.

Manulife John Hancock Retirement viewpoint

Now that the rules will be the same for employer retirement plans and Roth IRAs, participants will be able to evaluate whether it makes financial sense to roll over their retirement plan account to a Roth IRA without having to consider inequitable RMD rules.

Section 327

Surviving spouse treated as the employee

For calendar years beginning after December 31, 2023

Summary

If RMDs to the surviving spouse beneficiary begin in 2024 or later, this provision allows them to be calculated based on the uniform lifetime table instead of the single lifetime table, resulting in significantly lower RMDs—over 40% less in most cases.

Manulife John Hancock Retirement viewpoint

This provision allows money to stay in the plan longer and continue to grow on a tax-deferred basis or, in the case of qualified Roth accounts, tax free.

Section 332

SIMPLE plans can be replaced with a safe harbor 401(k) plan midyear

For plan years beginning after December 31, 2023

Summary

An employer may terminate a SIMPLE IRA midyear and replace it with a safe harbor plan (i.e., SIMPLE 401(k) plan, traditional safe harbor 401(k) plan, QACA plan, or a starter 401(k) plan, although the starter 401(k) plan may have been included due to a drafting oversight), provided certain aggregated contribution limits under the terminated SIMPLE IRA and new safe harbor plan are satisfied. In addition, if employers terminate their SIMPLE IRA and establish a 401(k) or 403(b) plan, any rollovers to the new plan won't be subject to the penalty tax that would otherwise apply under the two-year rule provided such amounts under the new plan are subject to the 401(k) (or 403(b), as the case may be) distribution restrictions.

Manulife John Hancock Retirement viewpoint

The ability to replace a SIMPLE IRA with a safe harbor plan (as defined above) midyear will generally allow participants to have greater retirement benefits as well as to provide tax advantages to an employer.

Section 343

DB annual funding notice

For plan years beginning after December 31, 2023

Summary

DB plan sponsors currently provide annual funding notices to participants, beneficiaries, labor organizations, and the PBGC. The content of that notice is prescribed by statute and is intended to provide a picture of the funded status of the plan. Under SECURE 2.0, the content of the notice has changed significantly. Among other things, the notice needs to include the percentage of plan liabilities funded (vs. funding target attainment percentage), the funded status percentage of the plan for the current and prior two plan years, and certain information not only for the current plan year but also for the prior two plan years. More information can be found in Field Assistance Bulletin No. 2025-02 as well as Appendix 1 and Appendix 2 (model annual funding notices for a single employer pension plan and multiemployer pension plan).

Manulife John Hancock Retirement viewpoint

The additional required information will provide recipients with a clearer picture of the funded status of the plan and any funding issues the plan may have.

Section 350

EPCRS: automatic deferral failures

For errors with respect to which the date is 9½ months after the plan year end during which the error occurs is after December 31, 2023

Summary

The Act makes permanent self-correction of automatic enrollment failures, automatic increase failures, and failure to implement affirmative deferral elections by participants covered under an automatic enrollment feature. The Act generally follows the correction procedures under EPCRS, which expired December 31, 2023, including:

- The requirement that the failure be corrected no later than 9½ months after the end of the plan year (or earlier if the participant notifies the plan sponsor of the failure)
- Requirements to make up missed matching contributions and associated earnings
- The 45-day participant notice requirement

The Act, however, also:

- Eliminates the requirement for employers to make qualified nonelective contributions (QNECs) for missed deferrals for terminated employees
- Permits self-correction even if the failure is first discovered by the IRS
- Instructs the IRS to issue regulations on a number of items, including:
  - A deadline for making missed matching contributions
  - Calculation of missed earnings
  - Participant notice content
  - Other rules consistent with the self-correction requirements

Manulife John Hancock Retirement viewpoint

Making this self-correction permanent furthers Congress's support of automatic enrollment and continues to encourage plan sponsors to remedy reasonable administrative errors in implementing automatic enrollment features under their plans.

Section 603

Catch-up contributions must be made on a Roth basis

For taxable years beginning after December 31, 2023, delayed to January 1, 2026, under IRS Notice 2023-62

Summary

This provision requires that catch-up contributions under an employer retirement plan (other than a SIMPLE IRA or simplified employee pension (SEP) plan) be made on a Roth basis for participants who had FICA wages from the employer sponsoring the plan that exceeded $145,000 in the prior calendar year (indexed for inflation). If the plan does not permit Roth contributions, then participants with FICA wages over the Roth catch-up threshold cannot make catch-up contributions.

Manulife John Hancock Retirement viewpoint

The Roth catch-up requirement significantly changes retirement plan administration, affecting plan sponsors, payroll companies, plan recordkeepers, third-party administrators (TPAs), and plan participants. Payroll companies may play the most critical role since they have real-time access to the data used to determine when Roth catch-up contributions become applicable. Collaboration, however, among all stakeholders is needed for successful implementation of the Roth catch-up requirement.

Section 101

Mandatory automatic enrollment

For plan years beginning after December 31, 2024

Summary

SECURE 2.0 makes automatic enrollment a requirement for 401(k) and 403(b) plans (with certain exceptions). This feature must be in the form of an eligible automatic contribution arrangement (EACA). Under the EACA, participants must be automatically enrolled at an initial rate of at least 3% (but not more than 10%) and have their contributions increased each year by 1% to at least 10% (but not more than 15%). Such contributions must be invested in a qualified default investment alternative (QDIA) unless the participant elects otherwise. Participants may elect to opt out of the EACA and/or request a refund of contributions that were made under the EACA subject to the 90-day withdrawal rule. Mandatory automatic enrollment doesn't apply to SIMPLE 401(k) plans, plans established before December 29, 2022, governmental or church plans, plans sponsored by businesses in existence for less than three years, or plans maintained by employers with 10 or fewer employees. When determining whether an exception applies to an employer under an MEP, each participating employer is treated separately (e.g., if any such employer has 10 or fewer employees, mandatory automatic enrollment won't apply).

Manulife John Hancock Retirement viewpoint

Automatic enrollment has been recognized as one of the most effective tools to boost participation under 401(k) and 403(b) plans. With the addition of mandatory automatic enrollment and automatic increase, more employees should be better prepared financially for retirement.

Section 109

Higher catch-up contribution limit to apply for ages 60 to 63

For taxable years beginning after December 31, 2024

Summary

The catch-up contribution limit for 401(k), 403(b), and governmental 457(b) plans has been increased for individuals who attain the ages of 60 through 63 during the calendar year beginning in 2025 (super catch-up contribution). The 2025 super catch-up contribution limit is $11,250, which is 150% of the 2025 regular catch-up contribution limit of $7,500.

For SIMPLE plans, the 2025 super catch-up contribution limit is $5,250, which is 150% of the regular SIMPLE plan catch-up limit of $3,500.

The regular and super catch-up contribution limits described above will be indexed for inflation.

Manulife John Hancock Retirement viewpoint

The provision offers participants aged 60 through 63 an additional opportunity to bolster their retirement savings.

Section 125

Reduced service requirement for long-term, part-time employees

For plan years beginning after December 31, 2024, except as otherwise provided

Summary

The SECURE Act of 2019 required 401(k) plans to cover long-term, part-time employees by changing the eligibility requirements to age 21 and the earlier of:

- completion of three consecutive years during which at least 500 hours are worked in each (not counting service prior to 2021) or
- completion of one year of service during which at least 1,000 hours are worked.

SECURE 2.0:

- Reduces the three-consecutive-year requirement to two consecutive years
- Excludes service prior to 2021 for the special long-term, part-time employee vesting requirement, so it now aligns with service that's counted for eligibility
- Extends the long-term, part-time employee rules to 403(b) plans subject to ERISA

Manulife John Hancock Retirement viewpoint

This provision accelerates the coverage of long-term, part-time employees by reducing the service condition from three years to two years, which is great for expanding coverage. However, this provision adds the administrative burden of tracking dual eligibility as well as dual vesting rules. Plan sponsors may want to consider whether they should amend their eligibility provisions (e.g., provide for immediate eligibility or a service requirement more generous than the long-term, part-time employee rule) for all employees, at least for purposes of salary deferrals, to avoid this provision and the complexities it will cause.

Section 303

Retirement Savings Lost and Found

December 29, 2024: deadline for the DOL to create a Lost and Found database

Summary

The DOL was tasked with creating a searchable Retirement Savings Lost and Found database by December 29, 2024. This database would allow individuals to search for information regarding the administrator of any retirement plan in which they are, or were, a participant or beneficiary.

Currently, plan sponsors and authorized third parties may voluntarily submit information for participants who have reached age 65, have separated from service, and are entitled to a vested benefit (or whose beneficiaries are entitled). This information includes participant details such as name, Social Security number, and last known mailing address, as well as plan- and plan administrator-related information. The DOL anticipates that, in the future, it will be able to use information from Form 8955-SSA to populate the database.

The DOL Lost and Found database went live on December 27, 2024, but is expected to evolve over time.

Manulife John Hancock Retirement viewpoint

The Retirement Savings Lost and Found database will assist participants in locating benefits to which they are entitled. It may also reduce the number of missing and lost participants, as more individuals might be reminded of their benefits and reach out to plan sponsors to claim them. However, because submitting information to populate the database is voluntary and there are lingering concerns regarding security and privacy, we do not anticipate that many plan sponsors will be eager to submit the requested information. Additionally, plan sponsors may choose to wait and see if the DOL will use information from Form 8955-SSA to populate the database and what changes might be made, as the DOL rushed the database to meet its December 29, 2024, deadline.

Section 305

EPCRS: expansion

Revenue procedure must be updated by December 29, 2024, to incorporate new self-correction rules

Summary

The Act directs changes to EPCRS (Rev. Proc. 2021-30 or any successor) to reflect that "eligible inadvertent failures" (not fully defined but broader than "operational errors") can be corrected, without having to determine whether they're significant or insignificant and without time limitation, provided that:

- The IRS doesn't discover the failure before action to correct the failure has begun
- The correction is completed "within a reasonable period" after the failure is identified

Self-correction under the new rules can be used for any inadvertent loan failure. The DOL was instructed to treat the self-corrected loan failure as meeting the Voluntary Fiduciary Correction Program (VFCP) requirements and did so under the VFCP Self-Correction Component (SCC), effective March 17, 2025.

Manulife John Hancock Retirement viewpoint

This expansion of EPCRS self-correction is welcome news for plan sponsors. Not having to file a voluntary correction program submission with the IRS may encourage more plan sponsors to address administrative errors. Note that as of April 1, 2025, the IRS has not issued an updated version of the EPCRS revenue procedure. However, plan sponsors can rely on the guidance issued in IRS Notice 2023-43, which includes some exceptions to the expansion of EPCRS, until the updated version is issued.

Section 341

Annual notice consolidation

Regulations to be issued within two years after December 29, 2022

Summary

The IRS and DOL are tasked with issuing regulations that permit the consolidation of the annual safe harbor, EACA, automatic contribution arrangement (ACA), and QDIA notices.

Manulife John Hancock Retirement viewpoint

Although the consolidation of the annual notices is optional, consolidation will save paper and may make it more likely that participants will review all these notices.

Section 334

Qualified long-term care distributions

For distributions made after December 29, 2025

Summary

This provision permits DC retirement plans—but excluding money purchase plans—to make qualified long-term care distributions (i.e., certain payments relating to long-term care insurance costs, if the insurance satisfies certain long-term care coverage requirements). For any tax year, qualified long-term care distributions can't exceed the lesser of:

1. the amount paid to or assessed by the insurance provider,
2. 10% of the employee's vested account balance, or
3. $2,500 (indexed for inflation).

Qualified long-term care distributions are generally exempt from the 10% early withdrawal penalty tax, direct rollover requirements, and mandatory 20% federal tax withholding.

Manulife John Hancock Retirement viewpoint

Knowing that 401(k) funds can cover at least part of the substantial cost of long-term insurance premiums might enable employees to participate in their 401(k) plan while also planning for their long-term care costs.

Section 338

Requirement to provide paper statements in certain cases

For plan years beginning after December 31, 2025

Summary

A paper statement will be required to be provided to:

- Individual account plan participants at least once per calendar year
- DB plan participants at least once every three calendar years

These requirements do not apply if the participant has affirmatively consented to electronic delivery of statements or if the employer's workforce satisfies the DOL's "wired at work" electronic delivery safe harbor.

The DOL is required to update its electronic delivery regulations by December 31, 2024, to incorporate these and certain other new disclosure requirements. As of April 1, 2025, the DOL has not updated the electronic delivery regulations.

Manulife John Hancock Retirement viewpoint

This provision will mainly affect participants who are receiving electronic delivery of their statements in compliance with the DOL's 2020 "notice and access" regulation, which permits electronic delivery by negative consent, provided certain requirements are met. Participants who affirmatively consent or who are part of a "wired at work" workforce won't be required to receive a paper statement. Plan sponsors that prefer full electronic delivery (no paper statements) may wish to ensure that their recordkeepers know that their workforce is "wired at work," if that's the case, so that the recordkeeper doesn't provide paper statements.

Sections 103 and 104

Saver's Credit and promotion of Saver's Credit

For taxable years beginning after December 31, 2026 except as otherwise provided

Summary

Section 103 changes the existing retirement savings contribution credit (Saver's Credit) with respect to IRA and retirement plan contributions made by eligible individuals from a nonrefundable tax credit against taxes owed (i.e., tax refund) to a federally funded matching contribution regardless of the individual's tax obligation. The matching contribution is equal to 50% of the individual's contributions that don't exceed $2,000 until the individual reaches certain income levels. It's subject to a phaseout between $41,000 and $71,000 for taxpayers filing a joint return ($20,500–$35,500 for single taxpayers and married filing separate; $30,750–$53,250 for head of household filers). The matching contribution is treated as a pretax contribution and is deposited into the individual's IRA, employer retirement plan account (provided it accepts them), or Achieving a Better Life Experience (ABLE) Act account as directed by the individual. If the matching contribution is less than $100, it will be treated as a tax credit.

Section 104 directs the U.S. Department of the Treasury to develop a strategy to effectively educate and promote the saver's match to the public no later than July 1, 2026.

Manulife John Hancock Retirement viewpoint

The saver's matching contribution is a great savings tool made available to eligible lower and moderately paid employees when filing their tax return. Replacing the Saver's Credit with a matching contribution generally benefits a great number of eligible employees, and the use of a single percentage (in place of the former tiered approach) makes it easier to implement and explain to individuals.

Plan administrators should note that there are a lot of special provisions that apply to these matching contributions for retirement plans that choose to accept them that can result in complicated administration. If a retirement plan doesn't accept these contributions, the individual can choose to have them deposited into an IRA, which would be simpler.

Sections 342

DB lump-sum windows

Effective one year after final regulations are issued

Summary

The Act codifies the information required to be provided to participants and beneficiaries who are eligible to participate in a lump-sum window, instructs the DOL to issue a model notice to be used for such purpose, and adds reporting requirements with the DOL and PBGC both before and after the window period. Regulations are to be issued no earlier than one year after December 29, 2022, and final regulations are to be effective no earlier than one year after they're issued.

Manulife John Hancock Retirement viewpoint

Codification of the notice content requirements provides certainty to plans with respect to the information required to be provided to participants and beneficiaries eligible for lump-sum windows (issuance of a model notice will be very helpful).

MGTS-PS 185800-GE 04/25 185800 MF2696011 MGR0417254404068

FOR PLAN SPONSOR USE ONLY. NOT FOR USE WITH PLAN PARTICIPANTS.