
'SECURE 2.0' Passes House, Moves to Senate

By Editorial Staff *Wed, Mar 30, 2022*

Retirement industry stakeholders and their representatives praised the passage of the bill, HR 2954, which loosens the rules on RMDs and QLACs and clears the way for ETFs in variable annuities.

By a 414 to 5 vote this week, the House of Representatives approved the Securing a Strong Retirement Act of 2022 and sent it on to the Senate. Sponsored by Richard Neal (D-MA), the lengthy bill grants several long-sought items on the retirement industry's wish-list.

Of the 414 voting yeas, there were 216 Democrats and 198 Republicans. Five Republican congressmen were opposed: Andy Biggs (AZ), Dan Bishop (NC), Thomas Massie (KY), Tom McClintock (CA), and Chip Roy (TX). The bill needed only a two-thirds majority to pass.

The [legislation](#), widely known as SECURE 2.0 because it fills in some of the gaps left by a previous bipartisan retirement bill, the SECURE Act of 2019, does the following, among other things:

- Makes auto-enrollment mandatory in private-sector retirement plans
- Increases tax credits for costs associated with creating a plan at a small firm
- Allows employers to match their workers' student loan repayments with retirement account contributions
- Raises catch-up contribution limits for older retirement savers
- Delays required minimum distributions
- Increases options to create lifetime income through annuities

Retirement industry stakeholders and their representatives praised the passage of the bill, HR 2954. In public statements, TIAA observed that the bill "builds on the SECURE Act, which took significant steps to expand access to lifetime income." The Investment Company Institute hailed it for "increasing the age for required minimum distributions from retirement accounts."

The American Council of Life Insurers CEO and president Susan Neely said, "Passage of this bill comes at a critical time for all savers but especially minorities." The Insured Retirement Institute said the bill advanced its "primary public policy objectives—expanding access to workplace retirement plans and protecting lifetime income products."

Below are 10 of the major provisions in the bill:

Expands automatic enrollment in retirement plans. Requires 401(k) and 403(b) plans to automatically enroll participants in the plans upon becoming eligible (and the employees may opt out of coverage). The initial automatic enrollment amount is at least 3 percent but no more than 10 percent. And then each year that amount is increased by 1 percent until it reaches 10 percent. All current 401(k) and 403(b) plans are grandfathered.

Modifies credit for small employer pension plan startup costs. The three-year small business start-up credit is currently 50% of administrative costs, up to an annual cap of \$5,000. Section 102 makes changes to the credit by increasing the startup credit from 50% to 100% for employers with up to 50 employees.

Allows 403(b) custodial accounts to invest in collective investment trusts. It also amends the securities laws to treat 403(b) plans like 401(a) plans with respect to their ability to invest in collective investment trusts, provided that: (1) the plan is subject to ERISA, (2) the plan sponsor accepts fiduciary responsibility for selecting the investments that participants can select under the plan, (3) the plan is a governmental plan, or (4) the plan has a separate exemption from the securities rules.

Increases the required minimum distribution (RMD) age. Currently age 72, the RMD age will be 73 starting on January 1, 2022. It will increase to age 74 starting on January 1, 2029 and age 75 starting on January 1, 2032.

Indexes the current allowable increase on IRA contributions after age 50 (\$1,000) to inflation, starting in 2023. Also, the current limit on catch-up contributions for those over age 50 is \$6,500 (\$3,000 for SIMPLE IRAs). The new law increases these limits to \$10,000 and \$5,000 (both indexed), respectively, for individuals who have attained ages 62, 63 and 64, but not age 65.

Allows offering de minimus financial incentives to 401(k) participants. Lifts the prohibition against offering modest cash incentives such as gift cards to encourage contributions.

Eliminates certain barriers to the availability of life annuities in qualified plans and IRAs. Annuities that provide rising benefits are currently prohibited from tax-deferred plans. This change allows annuities that offer annual increases of only 1 or 2%, or return of premium death benefits, or period certain guarantees.

Removes the cap on contributions to Qualified Longevity Annuity Contracts (QLACs), a type of deferred income annuity. The cap is currently 25% of tax-deferred

savings. The new law also facilitates the sales of QLACs with spousal survival rights and clarifies that free-look periods can be as long as 90 days.

Facilitates the creation of a new type of exchange-traded fund (ETF) that is “insurance-dedicated.” This change would allow ETFs to be offered as investment options within individual variable annuities.

Creates a national online “lost and found” for Americans’ retirement plan accounts. The section also directs the Department of Labor, in consultation with Treasury, to issue regulations on what plan fiduciaries must do to help find missing participants and reunite them with their accounts.

Allow sponsors of 401(k), 403(b) and 457(b) plans to provide employer matching contributions on a Roth basis. Under current law, plan sponsors are not permitted to provide employer matching contributions in their 401(k), 403(b) and governmental 457(b) plans on a Roth basis. Matching contributions must be on a pre-tax basis only. Section 604 allows defined contribution plans to provide participants with the option of receiving matching contributions on a Roth basis.

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