

# Bringing the SECURE Act into Focus for 2020

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# Today's Topics

- ▶ Why TRA?
- ▶ What is the SECURE Act?
- ▶ What are the SECURE Act's main provisions?
  - Provisions to encourage employers without plans to establish them
  - Provisions that impact ongoing plans
  - Miscellaneous provisions

A black and white photograph of two men in a modern office environment. The man on the left is wearing a dark jacket over a light shirt and glasses, looking towards the other man. The man on the right is wearing a light-colored button-down shirt and jeans, looking towards the camera. They are standing in front of large windows that offer a view of a cityscape. A blue semi-transparent banner is overlaid on the left side of the image, containing the title text.

# Why Choose The Retirement Advantage?





# Why Choose The Retirement Advantage?

## What We Do

- ▶ **Partner** with financial professionals who service retirement plans
- ▶ **Share** our expertise to ensure mutual business growth
- ▶ **Provide** a seamless partnership for a better client experience



# TRA – At A Glance



**50**  
States

Supporting Financial  
Advisors Nationwide



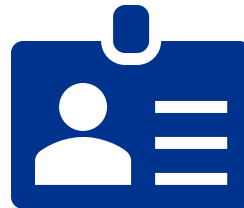
**20+**  
Years  
In Business



**\$8.5**  
Billion  
Assets Under  
Administration (AUA)



**195**  
Retirement Plan  
Experts Throughout  
the Country



**8,500**  
Plan Sponsors  
Nationwide



**15**  
Sales Consultants  
Nationwide

# Why Choose The Retirement Advantage?

## ▶ **Expertise**

- Over 20 years' experience in designing and administering Defined Benefit and Defined Contribution Plans
- Complimentary retirement program designs
- Full support during sales process

## ▶ **Dedication**

- Ongoing personalized service by one point of contact dedicated to you

## ▶ **Excellence**

- Actuaries and Client Relationship Managers (CRMs) hold professional designations



# SECURE Act





# SECURE Act

- ▶ Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019
- ▶ Signed into law on December 20, 2019
- ▶ Most comprehensive retirement reform package enacted in more than ten years
- ▶ Designed to increase retirement savings, improve plan administration, simplify existing rules, and preserve retirement income
- ▶ Lots of guidance to come







## SECURE Act - History

- ▶ American Retirement Association (ARA) met with Senators, Representatives, and their staffers for years to promote the SECURE Act
- ▶ The SECURE Act passed the House of Representatives 417-3
  - Major victory for the ARA and National Association of Plan Advisors (NAPA)
  - Major victory for expanding retirement saving opportunities





# Pooled Employer Plans – Open MEPs Become PEPs

- ▶ One Bad Apple Rule – “One Bad Apple Don’t Spoil the Whole Bunch!”
- ▶ “Pooled Plan Providers” (PPP) concept established as a fiduciary to a pooled plan -- expect guidance from the DOL and IRS
- ▶ PEP can spin off assets into a separate plan for only that employer
- ▶ Reasonable, good faith compliance is required until guidance is provided
- ▶ Effective January 1, 2021



# Pooled Plan Providers

- ▶ Plan Sponsor
  - For MEPs - insurance companies, mutual fund companies, and service providers are not permitted to be Plan Sponsors
  - For PEPs - TBD
- ▶ Plan Administrator
  - 3(16) Fiduciary
- ▶ Financial Advisor
  - Single advisor for the entire plan
  - 3(38) Fiduciary?

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# Increased Tax Credits for Plan Start Up Costs

- ▶ For the first year of a plan and the 2 years immediately following, a credit for 50% of expenses paid up to:
  - The greater of \$500, or
  - \$250 times the number of NHCEs
  - Not to exceed \$5,000





## Examples of Tax Credit

- ▶ \$1,000 to implement a plan, \$1,500 ongoing administration, 10 NHCEs
- ▶ Year 1 Tax credit : \$1,250
- ▶ Year 2 Tax credit: \$750
- ▶ Year 3 Tax credit: \$750



## Additional Time to Adopt a Plan

- ▶ Plan adoption until the due date (with extensions) for Business Tax Return
- ▶ Businesses will have the opportunity to know profits before establishing a plan







## Nonelective Contributions for Safe Harbor 401(k) Plans

- ▶ No advance notice required for nonelective 3% safe harbor
- ▶ Can declare safe harbor until November 30; increases to 4% after November 30
- ▶ QNECs are still an option for corrections



# Changes to Automatic Enrollment

- ▶ Automatic Enrollment is encouraged (employers with 100 or fewer employees)
- ▶ \$500 tax credit for 3 years for implementation in 2020 or later



## SECURE Act Impacting Current Plans

- ▶ Automatic Enrollment maximum increased to 15%
- ▶ Loans from 401(k) Plans not permitted from credit cards
  - Challenging to administer



# Lifetime Income from 401(k) Plans

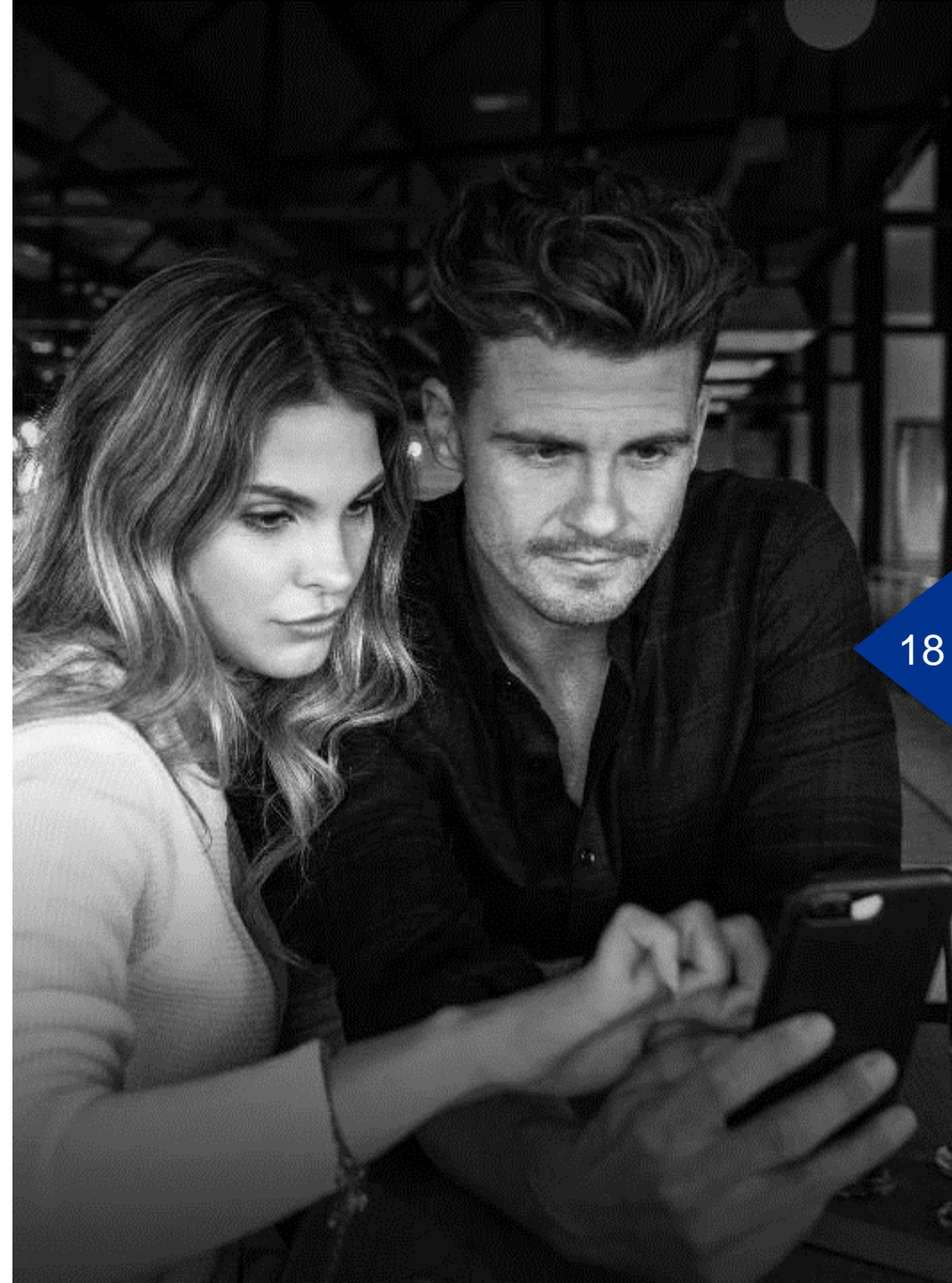
- ▶ With the decrease of pension plans that provide monthly income in retirement, the SECURE Act revises 401(k) plan provisions to translate benefits into monthly income
- ▶ Additional fiduciary protection to provide annuity options in plans
- ▶ Portability of benefits between plans
- ▶ Monthly income equivalent of benefits illustrated on employee benefit statements at least annually





## Part Time Employees in Retirement Plans

- ▶ 3 years of employment with between 500 and 1,000 hours
- ▶ Beginning in 2021, must count hours
- ▶ Relief from various employer contribution requirements





## IRA and Required Minimum Distribution (RMDs) changes

- ▶ RMDs are not required until age 72, not 70 ½
- ▶ Deductible contributions can be made to an IRA after age 72





## Pension Changes (Defined Benefit Plans)

- ▶ Pension Plan Nondiscrimination Rules relaxed to protect older, longer-service employees
  - Many pension plans are “soft frozen,” gateway contributions could be required, forcing employers to freeze or terminate their pension plan
  - Employers would otherwise discontinue plans



## Other Miscellaneous Provisions

- ▶ Stretch IRAs no longer permitted
- ▶ Distributions from pension plans to active employees can begin at 59 ½
- ▶ Community Newspaper Pension Funding Relief
- ▶ Terminating Custodial 403(b) Plans
- ▶ Expansion of 529 Plans
- ▶ Increased penalties for late 5500s







# Summary

- ▶ PEPs
- ▶ Tax Credit
- ▶ Automatic enrollment
- ▶ Safe Harbor 401(k) *options*
- ▶ Regulations yet to come



# Questions?

Contact Your TRA Regional  
Sales Consultant (RSC) at

[www.tra401k.com/rsc](http://www.tra401k.com/rsc)

or call 888.872.2364







# Choose TRA as Your TPA

- ▶ Our expertise is creating and administering retirement plans
- ▶ We can help you navigate the complex legislation's impact - but highly rewarding – opportunities
- ▶ We make your job **EASY**...We make you look **GOOD**...We help you **WIN** more business!™
- ▶ **Contact Your TRA Regional Sales Consultant (RSC) at [www.tra401k.com/rsc](http://www.tra401k.com/rsc) or call 888.872.2364**

