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## SECURE Act Brings Changes to Retirement Savings

On December 20, 2019, the Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law. The SECURE Act brings several changes and provisions that are intended to promote saving for retirement, make those savings more secure and help participants extend those savings as life expectancies continue to rise.

Here are some key takeaways:

### Required Minimum Distribution Age

Prior to the SECURE Act, plan participants with an account balance in an IRA or a 401(k) — like the Co-op 401(k) Plan — were required to start taking distributions from their retirement account by April 1 of the year following the year in which they turned 70½. These mandatory distributions are called Required Minimum Distributions (RMDs). As of January 1, 2020, the age requirement for starting RMDs is now 72. However, if a participant attained age 70½ prior to December 31, 2019, they are still required to take an RMD no later than April 1, 2020.

This age limit change will help participants keep more of their retirement assets in their retirement account where they can continue to grow.

### Part-Time Employees

Effective for plan years beginning after December 31, 2020, long-term part-time employees may be eligible to participate in the Plan if they have worked more than 500, but less than 1,000, hours per year for three consecutive years and have met the Plan's age requirements, if applicable. After meeting the service and age requirements, employees may begin making salary deferrals into the Plan. Sponsors may continue to exclude these long-term part-time employees from any potential employer contributions. They may also be excluded for testing purposes.

This provision is mandatory. Plan sponsors with large part-time populations that are currently excluded from Plan participation will need to evaluate the cost/benefit of tracking hours versus implementing more liberal eligibility requirements.

It is important to note that this new provision does not apply to retirement plans that are collectively bargained.

### Limit on Stretch Payments

Prior to the passage of the SECURE Act, designated individual beneficiaries of a retirement account — such as a defined contribution account like the Co-op 401(k) Plan

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or an IRA — could distribute or draw down inherited plan benefits over their lifetime. While the beneficiary had to take RMDs from the inherited account, the distributions could be stretched over their lifetime to minimize the potential tax implications.

Now, under the SECURE Act, individual beneficiaries are required to completely draw down their inherited retirement account balance within 10 years of ownership. The new law does allow for exceptions for “eligible” designated beneficiaries that include: minor children, surviving spouses and disabled or chronically ill beneficiaries.

### Safe Harbor Provisions

The SECURE Act also allows plan sponsors the ability to add nonelective safe harbor contributions mid-year. Previously, plan sponsors could only add safe harbor provisions at the start of the plan year. With the passage of the new law, sponsors don't have to wait and can enact the safe harbor provisions at any time. This gives participants a greater opportunity to save and take advantage of any additional contributions.

The new law also states that annual notice requirements for nonelective safe harbor plans have been eliminated, but plans can still provide a notice if they choose. However, a notice may still be needed if a plan wants to use ACP safe harbor.

### Birth or Adoption Distributions

Another takeaway from the new SECURE Act is that beginning in 2020, sponsors may allow participants to take an in-service withdrawal of up to \$5,000 from their 401(k) if the withdrawal is taken to cover “qualified” birth or adoption expenses. This withdrawal can be taken within one year following a birth or adoption and will not be subject to the 10% penalty tax on early withdrawals (applicable for most withdrawals made before reaching age 59½).

Participants will also be allowed, but not required, to repay this type of withdrawal back into the Plan. The IRS is still finalizing the rules and requirements for such a payback.

It is important to note that these distributions will be taxable when the participant files their annual tax return.

### Consolidated Form 5500

Another change will allow a plan sponsor to file a single consolidated Form 5500 for a group of similar plans. Employers should evaluate this new rule to see if it will ease some of their administrative burden and simplify their reporting requirements.

To be consolidated, the group of plans must meet the following requirements: must consist of individual account or defined contribution plans; have the same trustee, named fiduciaries, and administrator; use the same plan year; and offer the same investments or investment options.

The IRS and DOL will need to provide a consolidated Form 5500 by January 1, 2022.

### Increased IRS Penalties

The IRS and DOL have imposed greater financial penalties on qualified plans and sponsors for late filings and for filing incomplete returns. Effective for forms that are required to be filed or provided after December 31, 2019, the penalties have increased as follows:

- **Form 5500.** Failing to file Form 5500 in a timely manner, or filing an incomplete Form, may result in a penalty up to \$250 per day, not to exceed \$150,000 per plan year.
- **Form 8955-SSA.** Failing to file Form 8955-SSA may result in a daily penalty of \$10 per participant, not to exceed \$50,000.
- **Form 8822-B.** The penalty for Form 8822-B, used to notify the IRS of a change in plan administrator and/or change in address, will increase from \$1 per day to \$10 per day, with the maximum increasing from \$1,000 to \$10,000.

With the penalties potentially increasing tenfold, it is more important than ever to ensure the proper forms are completed and filed in a timely manner.

### Contact Us

If you have any questions regarding the SECURE Act and how it may affect your plan, please contact your Relationship Manager or call 800.652.6675, option 2.

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