



SECURE 2.0 implementation

Mandatory Roth catch-up –

SECURE 2.0 Section 603 (for 401(k), 403(b), and governmental 457(b) plans that offer age 50 catch-up contributions)

What is it?

- Effective January 1, 2026, employees in plans that allow for catch-up contributions who made over \$150,000 in FICA compensation in the prior year must make any catch-up contributions as Roth.
- If your plan doesn't offer Roth, you must either (1) add Roth, (2) remove the catch-up provision, or (3) certify you have no one making more than \$150,000 in FICA compensation for 2025.
- Payroll providers and recordkeepers expect an extremely large volume of activity at the end of 2025. In some situations, 60 days are needed to make changes. Make an election now to avoid delays or possible corrections.

Don't wait, add a Roth source now

- Add Roth early to avoid potential penalties.



**Mandatory
provision**



**Review
communication**



**Plan
amendment
required**



**Update payroll
to add Roth source**

Increased catch-up limit for ages 60-63 – Automatic

SECURE 2.0 Section 109 (for 401(k), 403(b), governmental 457(b), or SIMPLE plans that offer age-50 catch-up contributions)

What is it?

- Effective January 1, 2025, the age-50 catch-up limit is increased to the greater of (1) \$10,000 or (2) 150% of the regular annual catch-up limit for participants attaining ages 60-63.
- In the year the participant attains age 60, they can contribute at the increased limit.
- In the year the participant attains age 64, the limit returns to the standard catch-up limit.

Path forward

- If your plan permits age-50 catch-up contributions and Empower monitors deferral limits, we will automatically apply the increased contributions effective 1/1/25. If you do not want this limit increased let your Empower Relationship Manager know by 12/1/2024.
- If the plan (or their TPAs or payroll provider) monitors deferral limits, they may need to make changes to track these increased catch-up limits.



**Empower
Standard**



**Review
communication**



**Plan
amendment
required**



**Potential payroll
implications**

Domestic abuse distributions –

SECURE 2.0 Section 314 (optional for 401(a) DC, 401(k), 403(a), 403(b), governmental 457(b) plans)

What is it?

- Allows plans to permit penalty-free withdrawals from retirement plans in case of domestic abuse.
- Domestic abuse victims have 1-year period to take a distribution (capped at the lesser of \$10,000 or 50% of account balance on a plan-aggregation basis).
- Victim may self-certify the need. Plan sponsor may elect to approve distribution or direct Empower to process based on participant self-certification.
- Not available to plans subject to qualified or joint and survivor annuity requirements or spousal consent across all sources of the plan.

Availability

- Available now.



**Make an
election to
add**



**Plan
amendment
required**



**Sample participant
communication available**

Qualified disaster recovery distributions -

SECURE 2.0 Section 331 (optional for 401(a) DC, 401(k), 403(a), 403(b), and governmental 457(b) plans)

What is it?

- Provides to up to \$22,000 to be distributed from the plan to individuals affected by a federally declared disaster. No 10% excise tax.
- Participant must be domiciled in a federally declared disaster area and have sustained an economic loss to be eligible.
- Empower will leverage a participant's address on file and the FEMA database to determine eligibility.
- Distributions must be taken within 179 days following the later of the first date of the period specified by FEMA as the period the disaster occurred or the date of the disaster declaration.
- Distributions may be repaid to a plan or an IRA that will accept the repayment within 3 years.

Expected availability

- Available October 2024.
- Extended repayment period will be available Q1 2025.



**Review
communication**



**Make an
election to
add**



**Plan
amendment
required**



**Sample participant
communication available**

Cash-out threshold –

SECURE 2.0 Section 304 (optional for 401(a), 401(k), 403(b), governmental 457(b) plans)

What is it?

- Plans may raise the maximum dollar limit for mandatory cash-out distributions to terminated participants from \$5,000 to \$7,000.

How it works

- For plans that use Empower's automated mandatory distribution service, any terminated participant with a balance under \$7,000 will receive a notification and, if they do not otherwise take their balance, their balance will automatically be rolled over to a small-balance IRA.

Availability

- Available now.



**Make an
election to
add**



**Plan
amendment
required**

Portability of small balances -

SECURE 2.0 Section 120 (for 401(a) DC, 401(k), 403(q), 403(b), and governmental 457(b) plans)

What is it?

- Allows for an automatic transfer of balances in default IRAs to a new employer's plan unless the participant opts out.
- Plan must allow rollovers in, use Empower's automatic mandatory distribution service, and Empower's Automatic Rollover IRA
- No cost to plan sponsor, amendment fees may apply

When is it available?

- January 1, 2025



Optional provision



Review communication



Plan amendment required

PSN participating members



Emergency personal expense withdrawals

SECURE 2.0 Section 115 (for 401(k), 403(b), and governmental 457(b) plans)

What is it?

- New distribution available to help participants meet unforeseeable or immediate financial needs
- The following list of reasons qualify as an emergency:
 - Medical expenses
 - Funeral/burial costs
 - Property loss due to casualty
 - Auto repairs
 - Foreclosure or eviction
 - Other urgent personal needs

Withdrawal limits

- Lesser of: (1) \$1,000 (maximum), or (2) vested account balance above \$1,000. *For example, if a participant has a vested account balance of \$1,500, the total amount they may take as an Emergency Personal Expense Withdrawal is \$500.*
- Only one withdrawal allowed per year
- No new withdrawal for 3 years unless repaid or employee's contributions equal withdrawal amount

When will it be available?

Make election by
12/15/2025 for 1/29/2026 effective date



Optional provision



Review communication



Plan amendment required



**Sample participant
communication available**

Participant experience

Empower in-plan Roth conversion

Why consider an in-plan Roth conversion?

In-plan Roth conversions (IPRC) allow participants to convert their non-Roth retirement savings into Roth savings within their plan. This could potentially benefit savers because:

- Roth savings accounts have the potential to grow federal tax-free (as opposed to tax deferred), which could benefit early savers who anticipate being in a higher tax bracket in the future.
- Participants may be able to save more than the limits imposed compared to Roth IRAs..
- An in-plan Roth conversion could potentially allow many more people to save for their future in the way that's best for them.
- Plan participants have flexibility to select a one-time conversion or schedule recurring* IPRCs online through a one-day transaction process.

In-plan Roth conversions considerations:

- ➊ A plan amendment is required to add the IPRC provision.
- ➋ Specific requirements must be met by the plan to utilize the online digital experience.
- ➌ If plan offers company stock, sponsor will need to make a plan-level election to include or exclude company stock from the IPRC.
- ➍ After-tax contributions are subject to the Actual Contribution Percentage (ACP) Test and if the plan fails the ACP test, the employer may have to return some or all after-tax contributions to HCEs.

* Subject to plan feature eligibility.

FOR PLAN SPONSOR OR FINANCIAL PROFESSIONAL USE ONLY.

NEXT

Disclosures

Securities, when presented, are offered and/or distributed by Empower Financial Services, Inc., Member FINRA/SIPC. EFSI is an affiliate of Empower Retirement, LLC; Empower Funds, Inc.; and registered investment adviser Empower Advisory Group, LLC. This material is for informational purposes only and is not intended to provide investment, legal, or tax recommendations or advice.

Empower Retirement, LLC and its affiliates are not affiliated with Alight, Fidelity, Principal, TIAA, Vanguard, Retirement Clearinghouse.

“EMPOWER” and all associated logos and product names are trademarks of Empower Annuity Insurance Company of America.

©2024 Empower Annuity Insurance Company of America. All rights reserved. RO3865310-1024.



Thank you