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### SECURE ACT: SUMMARY OF CHANGES & PRELIMINARY IMPACT ANALYSIS

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<tr>
<td><strong>Part-Time Eligibility for 401(k) Salary Deferral Contributions</strong></td>
<td>Employees who work less than 1,000 hrs./yr. may be excluded.</td>
<td>Effective for plan years beginning after 12/31/20, employees completing at least 500 hrs./yr. in 3 consecutive yrs. cannot be excluded from the salary deferral portion of a 401(k) plan. Can continue to apply more restrictive requirements for matching and other employer contributions.</td>
<td>N/A for collectively bargained plans. Doesn’t change eligibility provisions for non-deferrals. 12-month periods beginning before 1/1/21 not considered for purposes of new eligibility criteria which could create difficulty with administration which could necessitate future VCP filing.</td>
</tr>
<tr>
<td><strong>Nonelective 401(k) Safe Harbor Notices</strong></td>
<td>Eligible employees must be provided with notices describing safe harbor provisions.</td>
<td>Effective for plan years beginning after 12/31/19, no requirement to provide safe harbor notices for safe harbor non-elective contributions. Safe harbor notice is still required for safe harbor matching contributions. Potential VCP for failures related to safe harbor match notice.</td>
<td>Advisable to cease distributing safe harbor notices for safe harbor non-elective contributions. Monitor third party administrators to ensure notices are still provided for matching contributions.</td>
</tr>
<tr>
<td><strong>Conversions to Safe Harbor Status</strong></td>
<td>Retroactive elections to convert to nonelective safe harbor status are not allowed.</td>
<td>Effective for plan years beginning after 12/31/19. Non-elective contribution =/&gt; 4%; adopt by end of next following plan year. Non-elective contribution at least 3% but &lt; 4%; adopt at least 30 days prior to end of plan year.</td>
<td>This change does not allow retroactive elimination of an existing safe-harbor contribution.</td>
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<td><strong>Cap on Default Rate for Automatic Enrollment</strong></td>
<td>Rate for automatic contributions under qualified automatic contribution arrangement (QACA) is 10%.</td>
<td>Effective for plan years beginning after 12/31/19, automatic contributions can be increased up to 15%.</td>
<td>This change allows sponsors to implement auto-escalation limits to that which approximate (based on Congressional comments) what may be necessary to provide participants with sufficient retirement income.</td>
</tr>
<tr>
<td><strong>Auto Enrollment Credit</strong></td>
<td>No current provision.</td>
<td>$500 tax credit per year for first 3 years that automatic enrollment is adopted for small employer plan.</td>
<td>Can be added to existing plan or new plan. Can be used in addition to new plan credit.</td>
</tr>
<tr>
<td><strong>In-Service Withdrawals after Birth or Adoption</strong></td>
<td>No in-service withdrawals are permitted in connection with childbirth or adoption.</td>
<td>Effective to distributions made after 12/31/2019, in-service withdrawals, up to $5,000 (per spouse) can be taken within a year after birth or adoption.</td>
<td>Qualifying child is a child under age 18 or disabled. Distributions may be paid back to qualified defined contribution plans, IRAs, 403(b), and 457(b) plans. IRS guidance needed concerning repayment provisions.</td>
</tr>
<tr>
<td><strong>In-Service Withdrawals for Defined Benefit, Money Purchase, and Target Benefit Plans</strong></td>
<td>No in-service distributions allowed.</td>
<td>Effective after 12/31/2019, in-service distributions after age 59.5 are allowed.</td>
<td>It is anticipated that additional guidance will be necessary with respect to defined benefit plan benefit adjustments. Guidance will be necessary related to QJSA notices and waivers.</td>
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<td><strong>Prohibition on using Credit or Debit Cards to Access Plan Loans</strong></td>
<td>Some plans offer participants the ability to take out loans by using credit or debit cards.</td>
<td>Effective 12/20/2019, no new loans or extensions of existing loans will be allowed through either credit or debit cards from plans.</td>
<td>Immediate elimination may require VCP corrections.</td>
</tr>
<tr>
<td><strong>Retroactive Adoption of Qualified Plan After Plan Year End</strong></td>
<td>No provision.</td>
<td>Effective for tax years beginning after 12/31/2019, qualified plans (excluding ESOPs and salary deferral provisions) can be adopted retroactively after the end of the tax year but before the filing of the plan sponsor’s tax return (including extensions).</td>
<td>Extensions end the earlier of the filing of the tax return or extension. May need guidance from IRS regarding retroactive adoption and new plan credits.</td>
</tr>
<tr>
<td><strong>Lifetime Income Disclosures</strong></td>
<td>No requirement for plans to describe participant balances in terms of amount of monthly income received during retirement.</td>
<td>Effective for statements provided more than 12 months after the DOL issues guidance, defined contribution statements must disclose amount of monthly income estimate the participant could receive if paid as an annuity.</td>
<td>DOL will need to issue (1) interim final rules, (2) the model disclosure, and (3) prescribed assumptions. Safe harbor relief available if plan uses DOL’s actuarial assumptions and “model” language.</td>
</tr>
<tr>
<td><strong>Safe Harbor for Selecting Annuity Providers</strong></td>
<td>No provision.</td>
<td>Fiduciaries may obtain representations from providers on ability to satisfy obligations.</td>
<td>Provides for transfer of fiduciary responsibility to annuity provider.</td>
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<td><strong>Portability for Lifetime Income Investments</strong></td>
<td><strong>Effective for plan years beginning after 12/31/19,</strong> if lifetime income investments are eliminated at the plan level, participants are permitted to take distributions from lifetime income investments in the form of a rollover or direct transfer to an IRA or other qualified plan.</td>
<td><strong>Distributions must be permitted irrespective of any restrictions otherwise applied to in-service distributions.</strong></td>
<td>To the extent the plan provides investment in lifetime income investments, the plan will need to be amended to allow such in-service distributions. Plan sponsors should consider whether the plan should be amended to accept rollovers of lifetime income investments (optional).</td>
</tr>
<tr>
<td><strong>Extended Post-Death Distribution Period for Non-Spouse Beneficiaries</strong></td>
<td>Non-spouse beneficiaries are allowed to establish stretch IRAs (or in some cases the qualified plan allows the non-spouse beneficiary to take distributions from the plan) which allow distributions to be measured over initial life expectancy of the beneficiary.</td>
<td><strong>Deaths prior to 1/1/2020 will have prior rule eligibility depending on prior plan document provisions.</strong></td>
<td>Revise distribution notices. Revise plan document, if prior plan document provided extended distribution period for non-spousal beneficiary. Coordination with third party administrator concerning notices as well as grandfathering.</td>
</tr>
<tr>
<td><strong>Changes to RMD Rules</strong></td>
<td>Participants are required to begin RMDs at age 70.5 or termination of employment, if later (for non-5% owners).</td>
<td><strong>Effective 1/1/2020,</strong> the beginning date for RMDs will change to age 72, but plans can continue to use age 70.5. Qualified Charitable Distributions are still available at age 70.5.</td>
<td>Plans can continue to require distributions at age 70.5, but distributions prior to required beginning date are eligible for rollover and subject to mandatory withholding. Determine whether to amend age requirements. Participants that turn 70.5 in 2019 must still take their first RMD by 4/1/20; and distribution notices will need to be revised.</td>
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<td>Age 70.5</td>
<td>Effective 1/1/2020: Eliminate the age limit for making contributions to an IRA.</td>
<td>Allows for continued growth in retirement savings for older individuals.</td>
<td>Timing of such post 70.5 contributions will impact following year RMD amount based on whether the contribution is before or after December 31 on the year the contribution is attributable.</td>
<td></td>
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<th>Increased Penalties</th>
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<td>Failure to File Form 5500: $25/per day – Max $15,000</td>
<td>For filings due after 12/31/2019: Failure to File Form 5500: $250/per day – Max $15,000 Failure to provide notification of change: $10/day – Max $10,000 Failure to provide withholding notice: $10/failure – Max $5,000/year</td>
<td>Since calendar year 2019 plans have filing obligations occurring after 12/31/2019, these increased penalties apply for 2019 filings.</td>
<td>Increased penalties make delinquent filer programs more important for clients to consider.</td>
<td></td>
</tr>
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