The PRS Report

VOLUME 32, ISSUE 1

APRIL 2023

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SECURE 2.0 ACT: 2023 Provisions

New and significant pension law changes were signed into law on December 29, 2022. The new provisions are collectively called the SECURE 2.0 Act of 2022. Astonishingly, this Act includes over 90 provisions, mostly affecting qualified pension plans. The table below summarizes some of the important new provisions of the SECURE 2.0 Act as they pertain to defined benefit and/or defined contribution (401(k), profit sharing and money purchase) plans for the **2023** plan year only. The next Newsletter we publish will cover some of the Secure 2.0 provisions for 2024.

New Provision	Description and Impact
Required Minimum Distributions (RMDs) starting at age 73	Participants (owners and retirees) can now wait until they attain age 73 to take their RMDs, with the first distribution required to be taken by April 1st of 2024. Thereafter, the RMDs must be taken by each subsequent December 31st.
Increased Tax Credits for start-up plans: *Start-up Credit*	1) This tax credit is for employers with up to 100 employees. 2) Start-up credits include all costs incurred by the Employer to establish and administer a new plan. 3) With up to 50 employees, the tax credit for starting a new plan is 100% of start-up costs. 4) With between 51 and 100 employees, the tax credit for starting a new plan is 50% of start-up costs. 5) The credit allows for $250 per eligible non-highly compensated employee for each of the first three years of the Plan up to a maximum of $5,000 per year.
Increased Tax Credits for start-up plans: *Employer Contribution Tax Credit*	1) This credit is for employer contributions for the first few years of the Plan. 2) The tax credit is available for employer contributions to employees whose compensation is $100,000 (as indexed) or less. 3) With up to 50 employees, the tax credit is 100% of the contributions made up to $1,000 per eligible employees in Years 1 and 2, 75% in Year 3, 50% in Year 4, and 25% in Year 5. 4) With between 51 and 100 employees, the tax credit is reduced by two percentage points for every employee over the 50-employee threshold.
RMD Excise Tax Reduced	Failing to take RMDs by year-end will incur a 25% excise tax, down from 50%, and, if corrected timely, only a 10% excise tax will be incurred.

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CLIENT REFERRAL PROGRAM:

If a client you recommend to us becomes our client, you can receive a 10% discount on annual services for every year they remain a client

SECURE 2.0 ACT: 2023 Provisions *(continued)*

New Provision	Description and Impact
Hardship Distributions Can Now Be Self-Certified	Instead of plan sponsors being responsible for obtaining and safe-keeping proof concerning the qualified event that represents the need for a hardship withdrawal, it is now the participant who must self-certify eligibility.
Early Distributions Rules Modified	Early distributions rules were liberalized whereby terminally-ill participants, or those participants wishing to take a distribution to pay long-term care insurance premiums, can receive their distributions without the 10% penalty tax.
Employer Matching & Non-Elective Contributions	These employer contributions can now be made on a Roth basis, if the participant so elects.
Provide Remedial Amendment Period	For calendar-year plans, the deadline to amend all qualified plans for SECURE 2.0 is December 31, 2025.

Plan Restatements for Defined Benefit Plans Coming Soon!

It's Restatement Time again for all pre-approved Defined Benefit and Cash Balance plans! Normally, every six years, the IRS requires qualified plans to be restated to incorporate law and regulation changes enacted since the last restatement period. Since the last restatement cycle had been postponed by the IRS for two years, in an effort to get the six-year cycle back on track, this restatement cycle is starting a bit ahead of schedule.

All Defined Benefit and Cash Balance plans must adopt the restatement provisions between April 1, 2023 and March 31, 2025. The restatement covers the provisions in the 2020 Cumulative List for laws and regulations added since the last restatement period (known as PPA, the second remedial amendment cycle) which occurred between May 1, 2018 and July 31, 2020.

Our software provider is working on completing its coding before release to Third Party Administrators (TPAs) and other providers. We expect that within the next two or three months, we will be sending out letters requesting your authorization to restate your Plan for Cycle 3. We will be requesting the return of an authorization form, as well as a retainer for approximately half of the fee. Since the restatement requires an entire re-write of the plan document, it is an ideal time to make plan design changes, if so desired, and thus avoid amendment fees later on. The authorization form asks whether you are interested in a new plan design. The sooner the authorization is returned, the lower the cost. This method allows us to schedule our work smoothly throughout the two-year period, thus avoiding a logjam nearer to the deadline.

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