

The PRS Report

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Setting Every
Community Up
for Retirement
Enhancement Act
(SECURE Act)

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 Act

Significant pension law changes have been legislated by the Further Consolidated Appropriation Act, which includes the Setting Every Community Up for Retirement Enhancement Act, also known as the SECURE Act. The table below summarizes some of the important new provisions of the SECURE Act as they pertain to defined benefit and defined contribution (401(k), profit sharing and money purchase) plans.

New Provision	Description and Impact	Effective when?
Minimum Required Distributions (MRDs) starting at age 72	Participants (owners and retirees) can now wait until they attain age 72 to take their MRDs. However, those who attained age 70½ before December 31, 2019 must still take their MRDs according to the old rules	January 1, 2020
Distributions from defined contribution plans allowed for qualified births and adoptions	A penalty-free taxable distribution of up to \$5,000 is allowed. This is an optional provision that must be adopted. The distribution taken may be repaid and would be treated as a rollover	January 1, 2020
In-service distributions permitted at age 59 ½	This benefit was already allowed in profit sharing and 401(k) plans if plan document allowed. Now, this benefit is allowed in defined benefit and money purchase plans	Starting with 2020 plan year
Elimination of Safe Harbor notices for Safe Harbor non-elective contributions	While notices are now no longer required for Safe Harbor plans with non-elective contributions, a notice is still required where a matching contribution is made to a Safe Harbor plan	Starting with 2020 plan year
Adding Safe Harbor provisions to a 401(k) plan late	Prior rules to add Safe Harbor provisions were very limited. Now, these provisions have been liberalized so that by amending the plan, either a 3% non-elective contribution can be added up to 30 days prior to the close of the plan year, or a 4% non-elective contribution can be added by the end of the following plan year	Starting with 2020 plan year

New Provision	Description and Impact	Effective when?
Adoption of new plans up to filing deadline of Sponsor's tax return	This gives plan sponsors flexibility to adopt a new plan up to the date their tax returns are due	Starting with 2020 plan year
Increased tax credits for start-up plans	This is for plan sponsor employers with under 100 employees. The tax credit for starting a new plan can be from \$500 to \$5,000 per year for three years	Starting with 2020 plan year
Long-term, part-time employees must be allowed to participate in 401(k) plans	Employees who have three consecutive years of working 500 to 999 hours for an employer will be allowed to make 401(k) deferrals. The plan sponsor may elect to exclude these participants from non-discrimination and coverage testing and from top-heavy rules	On January 1, 2021, the three-year period to determine eligibility begins
Penalties for late filing of Form 5500	Where IRS penalties previously were \$25 per days to a maximum of \$15,000, the penalties have been increased to \$250 per day up to a maximum of \$150,000	Filings due after December 31, 2019
Provide remedial amendment period	Provides that until the end of the 2022 plan year (or if later if so determined by the Treasury Department), the provisions of the SECURE Act may be followed without specific amendment	By the end of the 2022 plan year

As can be seen, there are many new pension opportunities. Contact us with any questions you may have.



Pension Review Services
500 Bi-County Boulevard, Suite 115
Farmingdale, NY 11735

Phone: (631) 465-0850 Fax: (631) 465-0855
www.pensionreviewservices.com

email: info@pensionreviewservices.com