

Secure 2.0: What Plan Sponsors Need to Know

Impact on financial security & emergency savings

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Welcome!



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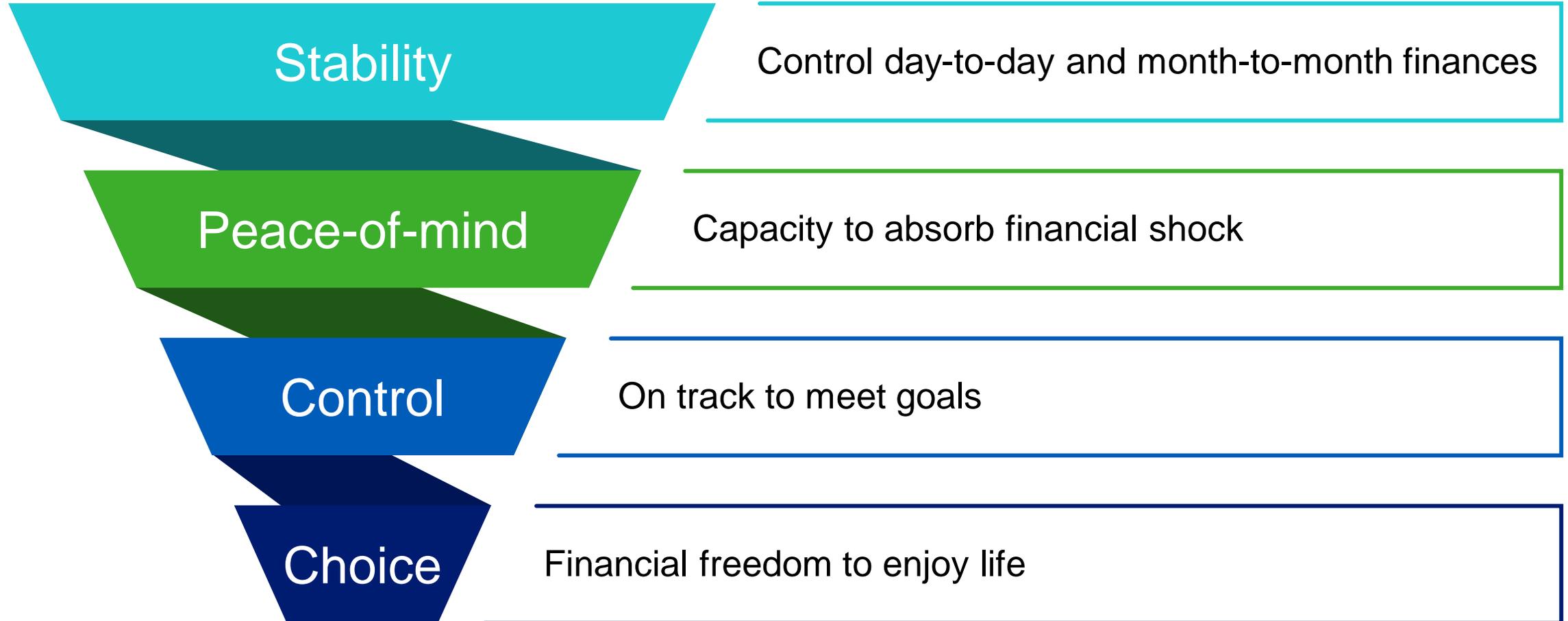


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What are we talking about?

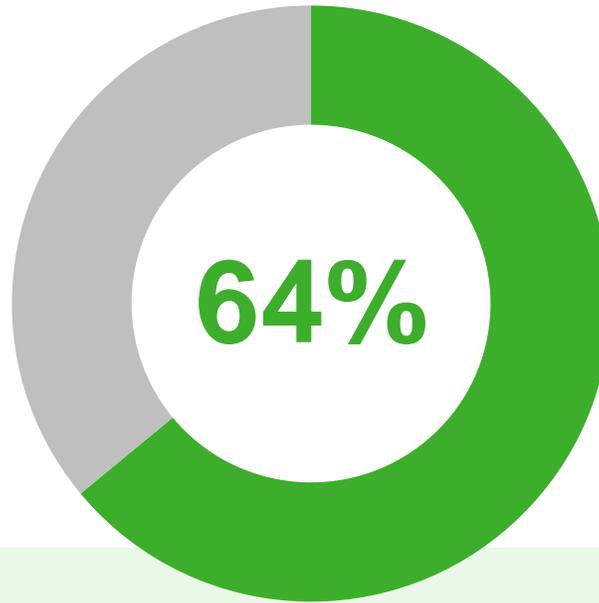
Definition of personal financial security



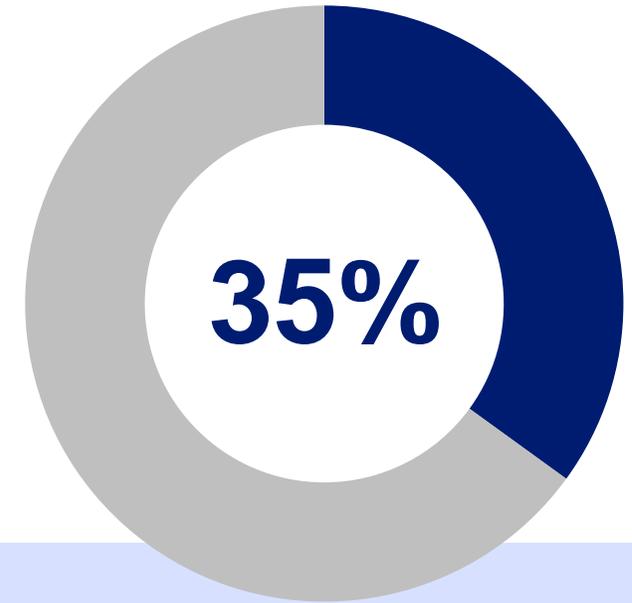
The Financial Challenge is Real!



Americans don't have money available to cover a \$400 unexpected expense¹



of Americans are living paycheck-to-paycheck²



of Americans say they are financially better off now than they were a year ago³

1 "Half in U.S. Say They Are Worse Off, Highest Since 2009", Gallup, Feb 8 2023

2 "New Reality Check: The Paycheck-To-Paycheck Report", PYMNTS and LendingClub, January 2023

3 "In Case of Emergency", PlanSponsor, December 2022-February 2023

Secure 2.0 follows Secure 1.0
expanding retirement savings

Acknowledges challenge of
long- and short-term savings

What You Should Expect to Learn

Secure 2.0 Liquidity Solutions: What does the law permit?

Emergency Savings Vehicles: What's best for you and your people?

Program Rollout: Key strategies for success



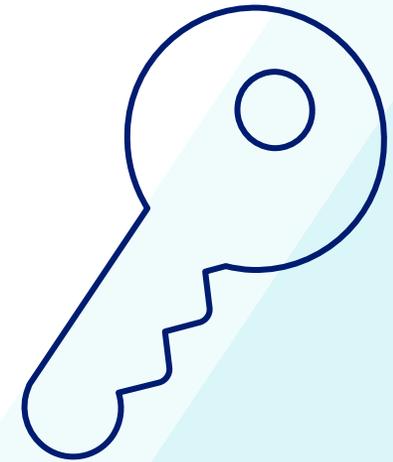
Secure 2.0 Liquidity Solutions:

What does the law permit?

- SECURE 2.0 Provisions Concerning Access to Liquidity
- Emergency Savings – “Sidecar Option”
- Emergency Savings – Small Emergency Withdrawals

SECURE 2.0 Provisions Concerning Access to Liquidity

- Emergency savings accounts
- Self-certification allowed for hardship distribution event
- Expanded 403(b) hardship distribution sources
- Uniform qualified disaster distribution rules
- Additional exceptions to the early withdrawal penalty
 - Relating to domestic abuse
 - For terminally ill individuals and certain long-term care contracts
 - For private sector firefighters after age 50



Emergency Savings

“Sidecar” option

- Retirement Plan-linked emergency savings account
- Option to offer non-highly compensated employees emergency savings accounts within retirement plan
- Employers may automatically opt employees in at no more than 3% of salary (employee can opt out or opt for less or more)
- Portion of account attributable to employee contributions is capped at no more than \$2,500 (sponsor could set it at less)

Emergency Savings

“Sidecar” option

“Sidecar” option

- For purposes of any employer match, is treated as an elective Roth contribution to the non-emergency portion of the plan
- At separation from service, may take as cash or roll it into Roth DC plan or Roth IRA
- Effective for plan years beginning after December 31, 2023
- Although not effective until next year, plan sponsors wishing to offer this option will need lead time and should consider plan design issues now



Emergency Savings

Small emergency withdrawals

- New distribution rule allows withdrawal of a small amount (\$1,000) out of DC plan
 - Can be taken once every 3 years
 - Option of repaying it within 3 years
 - Cannot take out another \$1,000 unless the amount has been repaid or three years have passed
- Not allowed in-service from a money purchase plan
- Exempt from the 10% premature distribution penalty regardless of whether it is repaid
- Effective for distributions made after December 31, 2023 – but, as with the “sidecar” option, plan sponsors considering this feature should consider plan design issues now



Emergency Savings Vehicles:

What's best for you and your people?

- Program design best practices
- Emergency savings plan design considerations
- Emergency savings operational considerations

What's Best for Your Population?

Program design best practices



What's Best for Your Population?

Emergency savings plan design considerations

Questions

What are your goals?

What are your people's priorities?

What will success look like?

How does an ESA integrate with other benefits?



Levers

Incentives

Eligibility

Liquidity

Enrollment



What's Best for Your Population?

Emergency savings operational considerations

Emergency Savings Account Features	Retirement Plan “Sidecar”	Vendor Emergency Savings Account
Availability	●	●
Benefit plan integration	●	●
Processing time to receive withdrawals	?	●
User experience	?	●
Incentives (seed money, milestones, matches, etc.)	●	●
Eligibility	●	●
Liquidity (withdrawal requirements)	●	●
Auto-enrollment	●	●
Employer cost	?	●

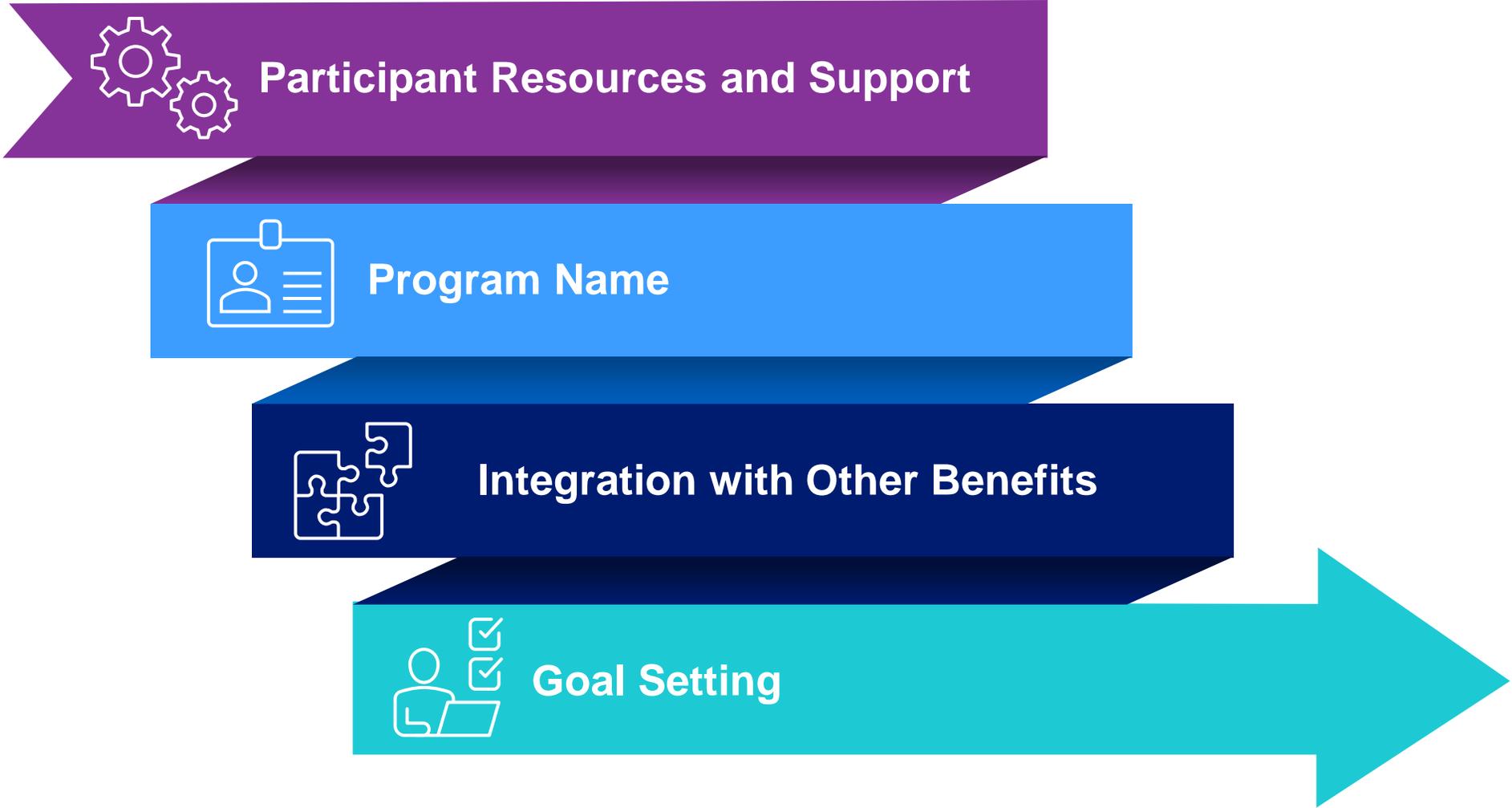


Program Rollout:

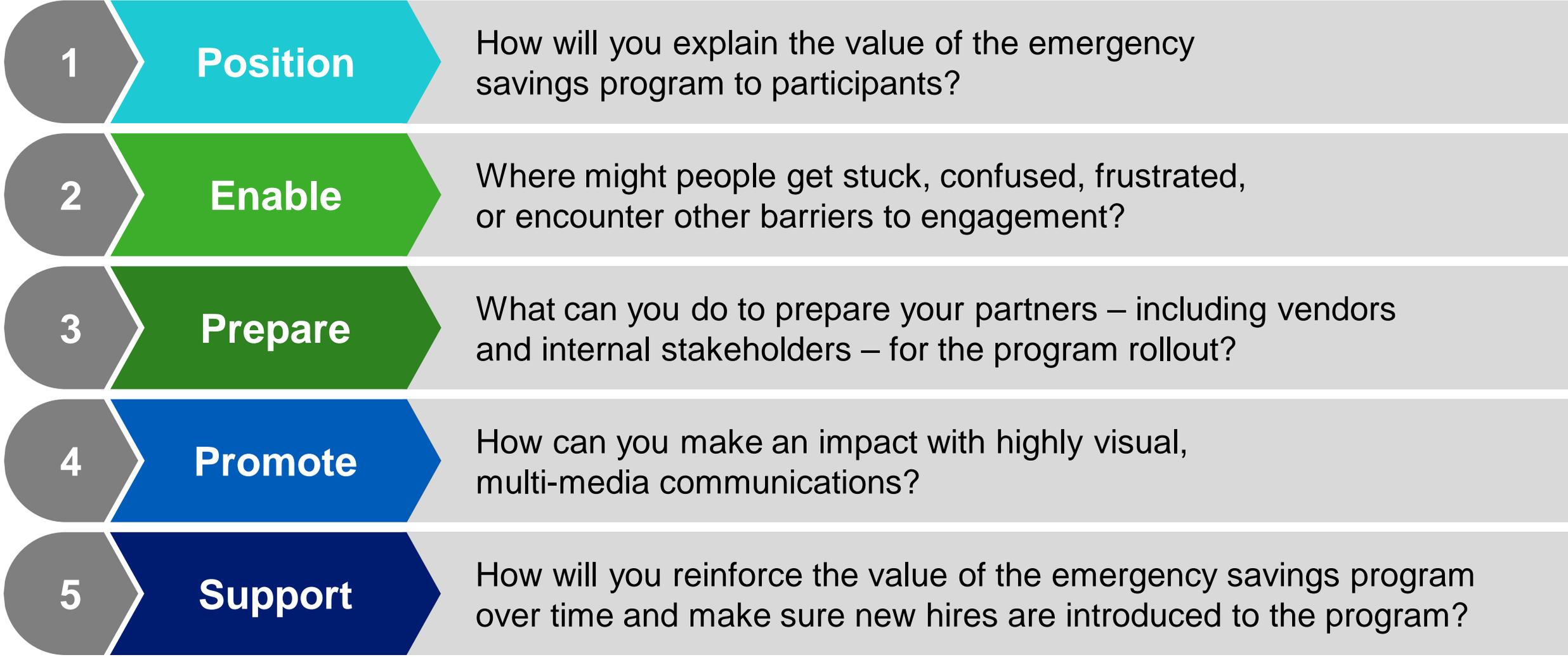
Key strategies for success

- Developing a Holistic Strategy
 - Consider Participant Engagement During Plan Design
 - Positioning Program and Planning for Rollout
- Making a Splash with Your Announcement
- Communicating on an Ongoing Basis
- Measuring and Evaluating Engagement

Participant Engagement Begins During Plan Design



Program Rollout: Develop a Strategy



Program Rollout: Announcement

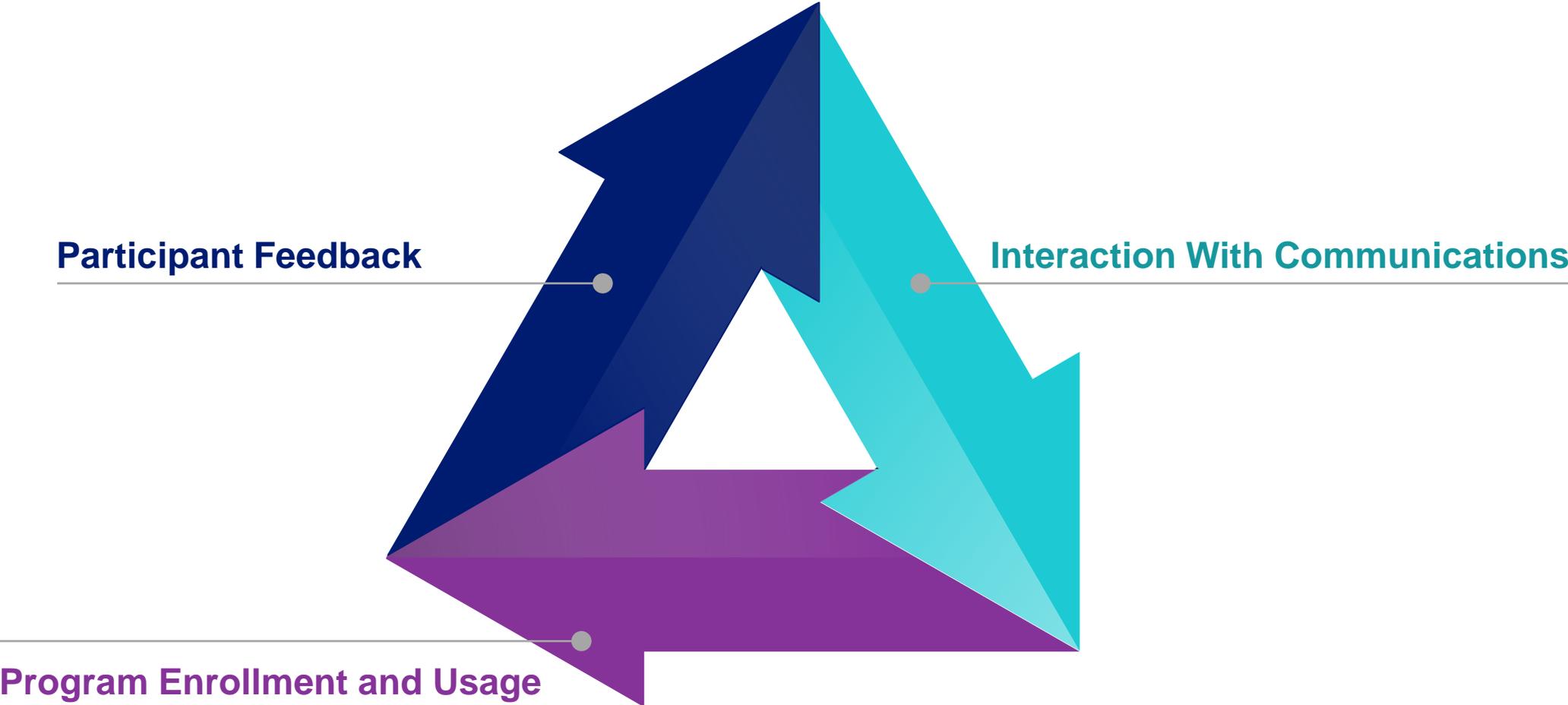


Ongoing Outreach

Build touch points into your ongoing communications agenda to:

- Reaffirm the value of your benefits and the program
- Ensure participants are using it effectively
- Build financial literacy

Measure and Evaluate Engagement



Questions?



Thank You



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