RETIREMENT
PLAN CONSULTANTS LLC
AN INTEGRITY COMPANY

SECURE 2.0 Optional Provisions Guide

This guide highlights **optional** provisions under the SECURE 2.0 Act of 2022 for workplace retirement plans (for example, 401(k) and 403(b) plans). It is designed to help plan sponsors quickly understand what each option does, when it can be effective, and what to consider before adopting.

Important: This material is for general educational purposes only and is not legal or tax advice. SECURE 2.0 implementation often depends on IRS/DOL guidance, recordkeeper capabilities, and your plan's document terms.

Quick Reference: Common Optional Provisions

Optional Provision	SECURE 2.0 Section	Earliest Effective Date	What It Does *(In One Line)*
Employer Contributions as Roth	§604	12/29/2022 (enactment)	Lets participants elect Roth treatment for certain employer contributions (must be immediately 100% vested).
Pension-linked emergency savings account (PLESA)	§127	Plan years after 12/31/2023	Adds an after-tax emergency savings bucket linked to the plan (balance limit up to $2,500; penalty-free access).
Emergency expense distribution (EED)	§115	After 12/31/2023	Allows one penalty-free withdrawal per year up to $1,000 for certain unforeseeable personal/family emergencies.
Student loan payments eligible for match	§110	After 12/31/2023	Treats qualified student loan repayments as elective deferrals for matching purposes.
Terminal illness distribution exception	§326	After 12/29/2022	Waives the 10% early distribution tax for eligible individuals with a terminal illness.
Self-certification for hardship withdrawals	§312	Plan years after 12/29/2022	Permits reliance on employee self-certification that hardship distribution conditions are satisfied.
Domestic abuse distribution option	§314	After 12/31/2023	Allows limited penalty-free withdrawals for survivors of domestic abuse, with repayment option.
Higher catch-up limit (ages 60–63)	§109	After 12/31/2024 (effective 1/1/2025)	Permits an enhanced "super catch-up" amount for participants who are age 60–63 during the year (greater of $10,000 or 150% of the regular catch-up, indexed).
Qualified disaster recovery distributions & loan relief	§331	Qualified disasters occurring on/after 1/26/2021	Allows special disaster distributions (up to $22,000 per disaster with 3-year repayment option) and optional enhanced loan limits/repayment delays for federally declared major disasters.
Top-heavy relief for otherwise excludable employees	§310	Plan years after 12/31/2023	If the plan is top-heavy, may allow excluding "otherwise excludable" early-entry employees from receiving the top-heavy minimum contribution.
Increase auto cash-out limit	§304	After 12/31/2023	Raises the involuntary cash-out limit to $7,000 (from $5,000) for small balances.

Note: Many provisions are effective by statute on the dates above, but operational readiness (recordkeeper/payroll, forms, and agency guidance) may affect when a sponsor can realistically implement.

Contributions & Savings Enhancements *(Optional)*

Employer Matching/Nonelective Contributions as Roth (§604)

Participants may elect Roth (after tax) treatment for certain employer contributions (matching and/or nonelective). IRS guidance confirms this feature is optional and can be offered for some employer contribution types but not others.

- **Immediate vesting required:** Amounts elected as Roth must be 100% vested when allocated.
- **Election timing:** The election must be made before the contribution is allocated; give an opportunity to make/change at least annually.
- **Tax reporting:** Roth employer amounts are includible in gross income for the year allocated and are generally reported on Form 1099 R (administration varies by provider).
- **Best fit:** Often attractive for participants seeking tax diversification, but it adds payroll/recordkeeping complexity.
- **Action steps:** Confirm recordkeeper support, update payroll feeds, amend the plan, and communicate the tax impact clearly.

Matching contributions on qualified student loan repayments (§110)

A plan may treat certain qualified student loan repayments as if they were elective deferrals for purposes of receiving employer matching contributions (without requiring the employee to defer from pay).

- **Coordination:** Define what counts as a "qualified" repayment and how employees certify payments.
- **Payroll/verification:** Decide whether proof is collected via payroll, vendor, or annual certification; confirm recordkeeper workflow.
- **Matching formula:** Typically mirrors the plan's regular match, but you can set parameters (subject to nondiscrimination considerations).
- **Communications:** Explain that match is contributed to the plan (not paid as cash) and may have vesting rules like other match sources.

Pension linked emergency savings accounts (PLESA) (§127)

A plan may add a short-term, after-tax emergency savings account linked to the retirement plan. Employees can be automatically enrolled (up to 3% of pay by default) and may withdraw their emergency savings without the usual retirement plan penalties.

- **Who can be offered:** Generally limited to non-highly compensated employees (NHCEs), subject to statutory rules.
- **Contribution/balance cap:** Employee contributions are capped at $2,500 (indexed) in the emergency savings bucket; excess contributions generally must be redirected to Roth deferrals (if available) or stopped.
- **Account type:** After tax (Roth like) contributions with separate accounting; investment options are typically limited to capital preservation.
- **Employer match:** Employer matching contributions (if any) are made to the participant's regular retirement account (not the emergency bucket).
- **Administration:** Confirm recordkeeper support and required notices

Higher catch-up limit for ages 60–63 ("super catch-up") (§109)

Beginning in 2025, a plan that permits catch-up contributions may (but is not required to) allow participants who attain ages 60, 61, 62, or 63 during the calendar year to make a higher catch-up contribution. For 401(k), 403(b), and governmental 457(b) plans, the limit is the greater of $10,000 or 150% of the regular age 50 catch up limit (indexed after 2025). Once a participant reaches age 64, the standard age 50 catch up limit applies again.

- **Who is eligible:** Participants who will be age 60–63 by year end and are otherwise catch up eligible (age 50+). This is an optional plan design—plans may continue offering only the regular age 50 catch up limit.
- **Contribution limit mechanics:** In 2025, the enhanced limit equals 150% of the regular catch up (e.g., if the regular catch up is $7,500, the enhanced limit is $11,250) unless $10,000 is greater; amounts are indexed after 2025.
- **Roth catch up interaction (high earners):** For participants over the prior year wage threshold, catch up contributions may need to be made as Roth once the mandatory Roth catch up rules apply. Confirm current applicability dates and your payroll/recordkeeper approach.
- **Administration & payroll:** Payroll must recognize the age band (60–63) and then automatically revert to the regular catch up limit at age 64. Coordinate limit coding, testing, and year end true ups with your vendors.
- **Plan document & communications:** Review plan language—some documents already incorporate "maximum catch up allowed by law," while others may require an amendment or administrative addendum. Communicate the higher limit and eligibility window clearly to avoid over/under withholding.

Distributions & Liquidity Features *(Optional)*

Emergency expense distributions (up to $1,000) (§115)

A plan may allow one annual emergency withdrawal of up to $1,000 for certain unforeseeable or immediate personal or family emergency expenses. The 10% early distribution tax is waived, but ordinary income tax may still apply.

- **Self-certification:** Participants generally self-certify eligibility (administration is designed to be simple).
- **Repayment option:** Participant may repay within 3 years; repayment rules affect whether a later emergency withdrawal is allowed.
- **"Lockout" concept:** If not repaid, later emergency withdrawals may be restricted for a period under the statute.
- **Communications:** Explain taxes, repayment mechanics, and the impact on retirement savings.

Domestic abuse distributions (§314)

A plan may permit a participant who is a survivor of domestic abuse to take a limited withdrawal that is exempt from th**e 10% early distribution tax, with an option to repay within three years.**

- **Eligibility and documentation:** Statute allows participant certification; confirm your recordkeeper's approach.
- **Limits:** Amount is capped by statute (generally a percentage of the vested account balance, subject to a dollar cap) and may be repaid.
- **Privacy:** Design procedures to minimize sensitive data collection while maintaining compliance.

Terminal illness distribution exception (§326)

A plan may waive the 10% early distribution tax for distributions to an individual who is terminally ill (as defined in the statute), subject to certification requirements.

- **Certification:** Coordinate required physician certification and retention rules with counsel and your recordkeeper.
- **Tax treatment:** Penalty may be waived but income tax can still apply; repayment may be permitted depending on circumstances.
- **Consistency:** Align with existing hardship/loan policies to avoid participant confusion.

Automatic cash-out threshold increase to $7,000 (§304)

A plan may raise the involuntary cash out threshold for small balances from $5,000 to $7,000. This can reduce the number of tiny accounts and related administrative costs.

- **Participant impact:** Consider automatic IRA rollovers and default rollover vendor arrangements.
- **Plan document and notices:** Update distribution language and any required notices.
- **Operational alignment:** Confirm recordkeeper processing thresholds and timing.

Qualified long-term care premium distributions

Allows certain retirement plan distributions to be used for qualified long-term care insurance premiums, subject to annual limits and plan provisions.

- **Limits:** participants may take an annual distribution equal to the lesser of the actual premium due, 10% of their vested retirement plan balance, or $2,600 in 2026 (indexed for inflation).
- **Tax treatment:** When requirements are met, these distributions are exempt from the 10% early withdrawal penalty, providing a tax-efficient way to help fund long-term care protection and prepare for future care needs.

Qualified disaster recovery distributions (QDRDs) (§331)

Plans may permit qualified disaster recovery distributions to individuals impacted by a federally declared major disaster (a “qualified disaster”). This creates an ongoing, standing form of disaster relief—so sponsors can offer special distribution and tax treatment without waiting for disaster specific legislation.

- **Who is eligible (qualified individual):** Generally, a participant whose principal residence was in the disaster area during the FEMA incident period and who sustained an economic loss due to the disaster (plans may generally rely on participant certification absent actual knowledge to the contrary).
- **Maximum amount:** Up to $22,000 per disaster (aggregate across the employer’s controlled group plans; the plan can set a lower limit).
- **Penalty relief:** Not subject to the 10% early distribution tax; ordinary income tax may still apply.
- **Tax reporting flexibility:** Participant may generally spread taxable income over 3 years (unless they elect otherwise).
- **Repayment option:** Participant may repay all or part within 3 years; repayment is treated like a rollover and can make the distribution non-taxable to the extent repaid.
- **Plan availability:** Available for certain defined contribution plans (for example, 401(k), 403(b), governmental 457(b) and money purchase plans). Other plan types generally need an otherwise available distributable event.
- **Sponsor implementation notes:** Coordinate vendor workflows, certification language, distribution codes/reporting, and confirm whether the plan accepts rollovers if you want to allow repayment.

Qualified disaster-related loan relief (§331)

For qualified individuals impacted by a qualified disaster, plans may offer enhanced loan relief, either larger maximum loans, a temporary delay in loan repayments, or both (the sponsor can choose which features to offer).

- **Increased loan limit (optional):** Maximum loan may be increased to the lesser of $100,000 or 100% of the participant's vested account balance (instead of the usual $50,000/50% limits), for loans made during the applicable disaster relief window.
- **Delayed repayment (optional):** Plans may permit a delay of up to 1 year for repayments due during the disaster relief period; repayments typically resume afterward with re amortization.
- **Eligibility:** Same "qualified individual" standard as QDRDs (principal residence in the disaster area during the incident period + economic loss).
- **Documentation:** Procedures may generally rely on participant certification unless the plan has actual knowledge to the contrary; confirm your vendor's certification form.
- **Administration:** Coordinate loan policy language, timing windows, payroll deduction changes, and default prevention processes with your recordkeeper/TPA.

Administration, Corrections & Operations *(Optional)*

Self-certification for hardship withdrawals (§312)

A plan may rely on an employee's written self-certification that the hardship distribution requirements are satisfied (rather than collecting source documents), subject to reasonable procedures.

- **Controls still matter:** Establish a consistent certification process and retain records.
- **Reduce friction:** Can streamline processing and participant experience, especially with electronic workflows.
- **Coordinate with vendors:** Confirm whether your recordkeeper already uses self-certification and whether any plan amendments are needed.

Top heavy minimum contribution relief for otherwise excludable employees (§310)

For plan years beginning after 12/31/2023, a defined contribution plan that is top-heavy may (as an optional design/administrative approach) disregard "otherwise excludable" employees when determining who must receive the top-heavy minimum contribution. In general, this applies to employees who are in the plan only because the plan's eligibility/entry rules are more generous than the statutory maximums (age 21, 1 year of service, and permissible entry dates).

- **Who are "otherwise excludable" employees?** Generally, those who have not met the statutory max eligibility rules (age 21 / 1,000 hours in a 12-month period / allowable entry dates) but are allowed in earlier under your plan's more generous terms.
- **What changes:** If the plan is top heavy, you may be able to exclude this group from receiving the required top heavy minimum (commonly 3% of compensation), potentially reducing cost, and encouraging earlier participation.
- **What does not change:** This relief does not eliminate top heavy rules for employees who have satisfied the statutory max age/service requirements. Those non-excludable participants may still be owed the minimum contribution if the plan is top heavy and they meet the allocation conditions under the plan.
- **Administration:** Your TPA/recordkeeper must track the otherwise excludable group separately for top heavy minimum purposes and apply the correct allocation conditions.