Milliman

Benefits Alert

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Complexities abound with SECURE 2.0 (H.R. 2954): Increasing the RMD age to 75 from 72 by your 2033 plan year

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The House approved HR 2954 in a landslide bipartisan vote of 414-5. This bill of proposed changes to U.S. tax-qualified retirement plans, which builds on the Setting Every Community Up for Retirement Security (SECURE) Act of 2019, is commonly known as SECURE 2.0 and is headed to the Senate for coordination with S. 1770, for markup and consolidation.

Section 106 of HR 2954 increases the age for a participant to take a required minimum distribution (RMD) in the next 10 years, not once, not twice, but three times until it comes to rest at age 75. The multiyear changes affect plan years beginning in 2023 and come on the heels of moving from age 72, which was the revised mandatory change in the SECURE Act.

For what it's worth, participants may actually embrace this change because it lowers their federal and state personal income taxes, beyond the current age of 72. The scoring of this provision by the Joint Tax Committee indicates that federal tax revenue will decrease by *$9.6 billion* in the 2023-2033 period.

If SECURE 2.0 becomes pension law (and early handicapping suggests it could occur in 2022), as employers continue to emerge from the complexities of two years of pandemic-related disruption in business operations and workforce management, plan sponsors and governance boards will be up to their eyeballs in alligators to assess what works and what is not so critical for their workforces.

Just an aside, before we examine how plan sponsors will have to address this SECURE 2.0 change. Defined contribution (DC) savings plans are complex, so to classify DC plans as "set it and forget it" is somewhat disingenuous. This RMD age change is proof of that.

SECURE 2.0 proposal for RMD age changes, Section 106:

EFFECTED PLAN YEARS	REVISED RMD AGE
After December 31, 2022, and before January 1, 2030	73
After December 31, 2029, and before January 1, 2033	74
After December 31, 2032	75

To be clear, the proposed age change is mandatory for defined contribution plans. While HR 2954 has many optional changes, this is not one of them.

A laundry list of considerations must be assessed because the SECURE 2.0 proposed effective dates are for plan years after December 31, 2022. Plan sponsors could struggle or perhaps even be unable to comply with such an aggressive timetable.

1. The *plan document* must be amended and accepted by the plan sponsor's administrative committee, which is fiduciaries to the plan.
2. ERISA disclosure regulations require that all *plan participants* receive an *effective communication* to make them aware of the change. The plan sponsor has to review the communication medium to deliver the disclosure, but it could be a combination of both electronic delivery and hard copy mailing.
3. *Changes* to the recordkeeping platforms that are linked to a trust system that administers the direct deposits or physical checks (and coordinates the distribution of Form 1099-R for tax reporting).

While we are waiting for SECURE 2.0 to move through the Senate, please don’t be surprised if the Senate attaches a provision to make mandatory that every distribution from a qualified savings plan requires spousal approval, as is part of the current law in defined benefit (DB) plans.

Please contact your Milliman consultant for additional information that affects your employer benefit programs.

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