Your Guide to the SECURE Act

Enhancing Retire Readiness for Millions of Americans

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) became law on December 20, 2019 and most provisions in the law went into effect on January 1, 2020. The SECURE Act contains the most significant legislative enhancements to the private-sector retirement system in over a decade and is expected to enhance the retirement readiness of millions of Americans. The law contains five provisions aimed to increase revenue in retirement savings.

Expanding and Preserving Retirement Savings

Expand Retirement Savings by Increasing the Auto Enrollment Safe Harbor Cap

The legislation increases the cap for automatic enrollment from 10% to 15% for Qualified Automatic Contribution Arrangements ("QACA"). Automatic contributions would still be capped at 10% the first year in which the participant is automatically enrolled, but after the first year, the contribution rate limit is increased to 15%.

Simplification of Safe Harbor 401(k) Rules

The legislation changes the non-elective contribution for 401(k) safe harbor plans. The legislation eliminates the safe harbor notice requirement, but maintains the ability to amend the plan to add the safe harbor feature by the close of the following plan year if they use a 4% contribution or by the thirteenth day before the close of the plan year if they use a 3% non-elective contribution.

Increase Credit Limitation for Small Employer Pension Plan Start Up Costs

Increasing the credit for plan start-up costs will make it more affordable for small businesses to set up retirement plans. The legislation increases the credit by changing the calculation of the flat dollar amount limit on the credit to the greater of (1) $500 or (2) the lesser of (a) $250 multiplied by the number of non-highly compensated employees of the eligible employer who are eligible to participate in the plan or (b) $5,000. The credit applies for up to three years.

Small Employer Automatic Enrollment Credit

Currently Small employers with no more than 100 employees receive an annual tax credit covering 50% of their plan startup costs (capped at $500) for three years. The legislation expands the credit to the lesser of $250 multiplied by the number of non-highly compensated employees or $5,000.

In addition to the startup tax credit, for small employers that adopt an Eligible Automatic Contribution Arrangement, the legislation created a new credit of $500 for three years. Automatic enrollment has shown to increase employee participation and higher retirement savings.

Treat Certain Taxable Non-Tuition Fellowship and Stipend Payments as Compensation for IRA Purposes

Stipends and non-tuition fellowship payments received by graduate and postdoctoral students can now be treated as compensation used as the basis for IRA contributions. The change will now enable these students to begin saving for retirement and accumulate tax-favored retirement savings.

Repeal of Maximum Age for Traditional IRA Contributions

The legislation repeals the prohibition on contributions to a traditional IRA by an individual who has attained age 70½, as long as as all other requirements are met (e.g., the participant has earned compensation at least equal to the amount of the IRA contribution).

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Qualified Employer Plans Prohibited from Making Loans through Credit Cards and Other Similar Arrangements

The legislation prohibits the distribution of plan loans through credit cards or similar arrangements.

Portability of Lifetime Income Options

The legislation permits qualified defined contribution plans, section 403(b) plans, or governmental section 457(b) plans to make a direct trustee-to-trustee transfer to another employer-sponsored retirement plan or IRA of lifetime income investments or distributions of a lifetime income investment in the form of a qualified plan distribution annuity, if a lifetime income investment is no longer authorized to be held as an investment option under the plan.

Treatment of Custodial Accounts on Termination of Section 403(b) Plans

Under the provision, not later than six months after the date of enactment, Treasury will issue guidance under which if an employer terminates a 403(b) custodial account, the distribution needed to effectuate the plan termination may be the distribution of an individual custodial account in kind to a participant or beneficiary. The individual custodial account will be maintained on a tax-deferred basis as a 403(b) custodial account until paid out, subject to the 403(b) rules in effect at the time that the individual custodial account is distributed. The Treasury guidance shall be retroactively effective for taxable years beginning after December 31, 2008

Clarification of Retirement Income Account Rules Relating to Church- Controlled Organizations

The legislation clarifies that individuals that maybe covered. Covered individuals include duly ordained, commissioned, or licensed ministers, regardless of the source of compensation.

Allowing Long-term Part-time Workers to Participate in 401(k) Plans

Under current law, employers generally may exclude part-time employees (employees who work less than 1,000 hours per year) when providing a defined contribution plan to their employees. Except in the case of collectively bargained plans, the bill will require employers maintaining a 401(k) plan to have a dual eligibility requirement under which an employee must complete either a one year of service requirement (with the 1,000-hour rule) or three consecutive years of service where the employee completes at least 500 hours of service.

Penalty-free Withdrawals from Retirement Plans for Individuals in Case of Birth or Adoption

The legislation provides for withdrawals of up to $5,000 from retirement plans for any “qualified birth or adoption distributions” without incurring the 10% early distribution penalty. The participant may repay the distribution to the plan.

Increase in Age for Required Beginning Date for Mandatory Distribution

The bill increases the required minimum distribution age from 70½ to 72.

Administrative Improvements

Plans Adopted by Filing Due Date for Year May Be Treated as in Effect as of Close of Year

The legislation permits businesses to treat qualified retirement plans adopted before the due date(including extensions) of the tax return for the taxable year to treat the plan as having been adopted as of the last day of the taxable year. The additional time to establish a plan provides flexibility for employers that are considering adopting a plan and the opportunity for employees to receive contributions for that earlier year and begin to accumulate retirement savings.

Combined Annual Reports for Group of Plan

The legislation directs the IRS and DOL to effectuate the filing of a consolidated Form 5500 for similar plans. The change will reduce aggregate administrative costs, making it easier for small employers to sponsor a retirement plan and thus improving retirement savings.

Disclosure Regarding Lifetime Income

The legislation requires benefit statements provided to defined contribution plan participants to include a lifetime income disclosure at least once during any 12-month period.

Fiduciary Safe Harbor for Selection of Lifetime Income Provider

The legislation provides certainty for plan sponsors in the selection of lifetime income providers, a fiduciary act under ERISA. Under the bill, fiduciaries are afforded an optional safe harbor to satisfy the prudence requirement with respect to the selection of insurers for a guaranteed retirement income contract and are protected from liability for any losses that may result to the participant or beneficiary due to an insurer’s inability in the future to satisfy its financial obligations under the terms of the contract. Removing ambiguity about the applicable fiduciary standard eliminates a roadblock to offering lifetime income benefit options under a defined contribution plan.

Modification of Nondiscrimination Rules to Protect Older, Longer Service Participation

The legislation modifies the nondiscrimination rules with respect to closed plans to permit existing participants to continue to accrue benefits. The modification will protect the benefits for older, longer service employees as they near retirement.

Other Benefits

Benefits for Volunteer Firefighters and Emergency Medical Responders

The legislation reinstates for one year the exclusions for qualified State or local tax benefits and qualified reimbursement payments provided to members of qualified volunteer emergency response organizations and increases the exclusion for qualified reimbursement payments to $50 for each month during which a volunteer performs services.

Expansion of Section 529 Plans

The legislation expands 529 education savings accounts to cover costs associated with registered apprenticeships; homeschooling; up to $10,000 of qualified student loan repayments (including those for siblings); and private elementary, secondary, or religious schools.

Revenue Provisions

Modifications to Required Minimum Distribution Rules

The legislation modifies the required minimum distribution rules with respect to defined contribution plan and IRA balances upon the death of the account owner. Under the legislation, distributions to individuals other than the surviving spouse of the employee (or IRA owner), disabled or chronically ill individuals, individuals who are not more than 10 years younger than the employee (or IRA owner), or child of the employee (or IRA owner) who has not reached the age of majority are generally required to be distributed by the end of the tenth calendar year following the year of the employee or IRA owner's death.

Increase in Penalty for Failure to File

The legislation increases the failure to file penalty to the lesser of $400 or 100 percent of the amount of the tax due. Increasing the penalties will encourage the filing of timely and accurate returns which, in turn, will improve overall tax administration.

Increased Penalties for Failure to File Retirement Plan Returns

The legislation modifies the failure to file penalties for retirement plan returns. The Form 5500 penalty would be modified to $250/day, not to exceed $150,000. Failure to file a registration statement would incur a penalty of $10 per ppt/day, not to exceed $50,000. . Failure to file a required notification of change would result in a penalty of $10/day, not to exceed $10,000 for any failure. Failure to provide a required withholding notice results in a penalty of $100 for each failure, not to exceed $50,000 for all failures during any calendar year. Increasing the penalties will encourage the filing of timely and accurate information returns and statements and the provision of required notices, which, in turn, will improve overall tax administration.

For more detailed information on the Secure Act, please visit www.congress.gov

The information contained in this document is intended to be informational in nature and should not be considered a recommendation or individualized advice to a specific individual.

MetLife does not intend to offer distributed 403(b) custodial accounts

Note: Although pre-tax contributions are made through salary reduction and may be excludable from gross income for federal income tax purposes, and not subject to federal income tax withholding, they will be subject to FICA tax.

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Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Like most annuity contracts, MetLife's contracts contain charges, limitations, exclusions, holding periods, termination provisions and terms for keeping them in force.

If you are buying a variable annuity to fund a qualified retirement plan or IRA, you should do so for the variable annuity's features and benefits other than tax deferral. In such cases, tax deferral is not an additional benefit of the variable annuity. References throughout this material to tax advantages, such as tax deferral and tax-free transfers, are subject to this consideration.

Variable annuity products are offered by prospectus only. Individuals should carefully read the product prospectus and consider the product's features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well as other information about the underlying funding options. This and other information is available in the prospectus, which individuals should read carefully before investing. Product availability and features may vary by state. All product guarantees are subject to the financial strength and claims-paying ability of Metropolitan Life Insurance Company.

The amounts allocated to the variable funding options are subject to market fluctuations so that, when withdrawn, they may be worth more or less than their original value. There is no guarantee that any of the variable funding options will meet their stated goals or objectives.

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