Key provisions of the SECURE Act

The Setting Every Community Up for Retirement Enhancement (SECURE) Act will have a meaningful impact on employer-sponsored retirement plans. We've compiled a list of key provisions to help plan sponsors better understand how their plans will be affected.

Mandatory provisions are being implemented in accordance with the effective dates and no sponsor action is required at this time. Optional provisions will require plan sponsor adoption.

Mandatory provisions

Required minimum distribution age	**Summary:** Most individuals are now required to begin taking required minimum distributions (RMDs) after they turn 72, rather than 70½. This change applies to both IRAs and qualified employer plans. (Participants who turned 70½ before December 31, 2019, may still be required to take an RMD.) In addition, individuals can now continue to make traditional IRA contributions after 70½. **Implementation:** Vanguard has put into place processes and procedures to manage the change to the RMD age. Participants who are no longer required to take an RMD due to the change in law have been notified accordingly. Work is currently underway to update our systems and RMD paperwork to reflect the change in RMD age. In the meantime, Vanguard has implemented alternate procedures for assisting participants who may need to process an RMD. Further information will be provided once our systems and paperwork have been updated. **Effective date:** Effective for distributions required after December 31, 2019.
Inherited IRAs ("Stretch RMDs")	**Summary:** Limits the time in which beneficiaries may withdraw benefits inherited from qualified plans and IRAs. In the past, these distributions could be taken out over a beneficiary's lifetime. Now, for many nonspouse beneficiaries, the accounts must be depleted within ten years of the original account owner's death. **Implementation:** If a participant passed away in 2019 or earlier, the RMD calculation is "grandfathered" and not impacted by the changes (i.e., a beneficiary may still deplete the benefit over their lifetime). If a participant passes away in 2020 or after, the RMD calculation is done in accordance with the new rules and the benefit may need to be depleted within ten years. Vanguard has procedures in place to manage the changes to beneficiary RMDs. **Effective date:** Effective for distributions required after December 31, 2019.
Expanded eligibility for long-term part-time employees	**Summary:** In addition to employees who work 1,000 hours per year, 401(k) plans would be required to include employees who work 500 hours per year for three consecutive years. Employer match and nonelective contributions would not be required. In addition, long-term part-time employees must be credited with one year of vesting service for each year with 500 hours of service. Service before January 1, 2021, does not need to be counted for purposes of this rule. **Implementation:** Vanguard is in the process of updating our systems to accommodate this provision. Further details will be provided when available. **Effective date:** Effective for plan years beginning on or after December 31, 2020 (i.e., January 1, 2021, for calendar-year plans).
Lifetime income disclosure for defined contribution plans	**Summary:** Requires lifetime income disclosure to participants at least once every 12 months. The methodology for calculating lifetime income will need to be determined by the Department of Labor (DOL). Additional disclosures and information on assumptions used would have to be provided to participants. The DOL is directed to develop a model disclosure. **Implementation:** We are awaiting guidance from the DOL on methodology and model disclosures and will provide further detail once received. **Effective date:** Disclosure would be required on benefit statements furnished more than 12 months after the DOL's issuance of regulations and the model disclosure.

Nonelective safe harbor plans	**Summary:** Eliminates the safe harbor notice requirement if a plan satisfies the safe harbor using a nonelective contribution. Allows a plan to be amended to become a nonelective safe harbor plan midyear if certain requirements are met. **Implementation:** Vanguard is ready to accommodate these changes. **Effective date:** Effective for plan years beginning after December 31, 2019 (i.e., January 1, 2020, for calendar-year plans).

Optional provisions

Birth or adoption withdrawal	**Summary:** Participants could withdraw as much as $5,000 from their retirement plan account or IRA in the year following the birth or adoption of a child without incurring a 10% early withdrawal tax or being subject to mandatory 20% withholding. Repayment of the distribution must also be available. **Implementation:** Vanguard is awaiting additional guidance from the Internal Revenue Service regarding the documentation required to verify the birth/adoption, tax reporting, and repayment processing. We are in the process of updating our systems to accommodate this withdrawal as soon as possible after the guidance is issued. Plan sponsors will need to elect to offer this withdrawal and amend the plan accordingly. Further details will be provided when this withdrawal is available from retirement plan accounts. In the meantime, this withdrawal is currently available from Vanguard IRAs®. **Effective date:** This optional distribution is effective for distributions after December 31, 2019.
Qualified automatic contribution arrangements	**Summary:** Increases the automatic escalation cap for qualified automatic contribution arrangements (QACA) safe harbor plans from 10% to 15%. Most QACA plans will require sponsor election to increase the cap unless the plan document incorporates the cap by reference to the statute and/or regulations. **Implementation:** All of the QACA plans currently recordkept by Vanguard will require sponsor election to increase the cap. Plans that elect to increase the cap for defaulted participants will need to amend the plan document to reflect the new amount (between 6% and 15%). Vanguard is able to accommodate this change at any time. **Effective date:** Effective for plan years beginning after December 31, 2019 (i.e., January 1, 2020, for calendar-year plans).
Increase in-plan annuity options	**Summary:** Provides a statutory safe harbor for the selection of annuity providers when offering an in-plan annuity distribution option. The SECURE Act also allows lifetime income investments to be transferred among retirement plans when the option is no longer authorized by the original plan. **Implementation:** At this time, in-plan annuities are not available for Vanguard-recordkept plans. **Effective date:** As of the date of enactment—December 20, 2019.

If you still have questions about the SECURE Act and what actions Vanguard is taking, please contact your Vanguard representative.

Vanguard®

Connect with Vanguard® > institutional.vanguard.com > research@vanguard.com

Vanguard Research
P.O. Box 2900
Valley Forge, PA 19482-2900

We recommend that you consult a tax or financial advisor about your specific situation.

All investing is subject to risk, including the possible loss of the money you invest.

BBBBPDXR 012020