2Q 2022

Defined Contribution Plan Legislative Update

SECURE 2.0

On March 29th, the House overwhelmingly approved the Securing a Strong Retirement Act ("SECURE 2.0"), which builds upon the Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act") that was signed into law at the end of 2019. A few notable changes include:

- Requiring mandatory automatic enrollment/escalation
- Increasing catch-up contributions
  - Keeps the existing catch-up contribution limits for those aged 50 but increases the annual catch-up amount to $10,000 for participants ages 62 through 64, beginning in 2023
- Allowing catch-up contributions to employer-sponsored qualified retirement plans to be subject to Roth tax treatment
- Allowing Roth matching contributions
- Delaying required minimum distributions (RMDs)
  - Increases the age for starting RMDs to 73 in 2022, 74 in 2029, and 75 in 2032
- Expediting part-time workers' participation
- Authorizing student-loan matching
- Creating an online retirement savings lost and found database
- Creating a tax credit for small businesses that offer a savings plan

The Senate is also considering its own version of SECURE 2.0 (Retirement Security and Savings Act) that shares similar provisions. As progress around these changes takes shape, we will continue to update our clients on the impact to their plans.

Lifetime Income Illustrations

Based on the SECURE Act, defined contribution plans are required to provide participants with illustrations of their respective balance converted to lifetime income equivalents as (i) a single life annuity and (ii) a qualified joint and survivor annuity.

These two illustrations are required to be reflected on participant statements at least once every 12 months with an implementation deadline of June 30th, 2022. On the next page is an example illustration:

Current Account Balance	$125,000
Single Life Annuity	$645 per month for life (assuming Participant X is age 67 on December 31, 2022)
Qualified Joint and 100% Annuity	$533 per month for participant's life, and $533 for the life of the spouse following participant's death (assuming Participant X and their hypothetical spouse are age 67 on December 31, 2022)

The Department of Labor ("DOL") believes that translating a participant's account balance into a monthly income stream will help the individual in assessing their current savings and contribution levels. Plan recordkeepers are responsible for implementation as part of their communication services to participants.

Cryptocurrencies in Defined Contribution Plans

In response to growing interest in cryptocurrencies, the DOL published *Compliance Assistance Release No. 2022-01 401(k) Plan Investments in "Cryptocurrencies,"* cautioning fiduciaries to exercise extreme care as they consider including cryptocurrencies in their plan lineups.

The DOL's concerns around cryptocurrencies include:

- The speculative and volatile nature of the investments
- The challenge for plan participants to make informed decisions around the asset
- Custody and recordkeeping
- Valuation
- The evolving regulatory environment

Following the DOL's cryptocurrency release, Fidelity Investments, considered one of the largest recordkeepers in the defined contribution space when comparing total assets and number of participants served, announced its plan to allow for the offering of bitcoin for certain 401(k) plans. Reference Marquette's response, Observations on Fidelity's Bitcoin–401(k) Announcement, for more information.

Retaining Employees Against the "Great Resignation"

Since early 2021, the labor market has experienced record levels of employee resignations. In response, employers have shifted focus to try and retain their current workforce. One of the tools being considered is enhancements to defined contribution plans.

Plan features that employers are currently reviewing include:

- **Eligibility requirements:** Shortening the length of service requirements as well as expanding eligibility to include part-time employees
- **Employer match:** increasing the employer match or modifying the contribution frequency if feasible for the employer
- **Student loan assistance:** Expanding contribution benefits

If enhancements are implemented, it's important that the changes are effectively communicated to the workforce. Your consultant can work alongside the recordkeeper to provide additional information on these potential enhancements and assist in the communication process.

As legislation and market trends evolve, Marquette will continue to provide updates to clients. In the meantime, do not hesitate to reach out to your consultant to discuss these issues or other measures impacting the defined contribution space.

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About Marquette Associates

Marquette was founded in 1986 with the sole objective of providing investment consulting at the highest caliber of service. Our expertise is grounded in our commitment to client service — our team aims to be a trusted partner and as fiduciaries, our clients' interests and objectives are at the center of everything we do. Our approach brings together the real-world experience of our people and our dedication to creativity and critical thinking in order to empower our clients to meet their goals. For more information, please visit www.MarquetteAssociates.com.