

Implementing SECURE 2.0

An update on key provisions and adoption trends



Making progress improving Americans' retirement security

In December 2022, Setting Every Community Up for Retirement Enhancement Act (SECURE 2.0) was signed into law to further improve retirement security for Americans. This robust legislation includes 90+ provisions and builds upon the successful legacy of the SECURE Act of 2019 (SECURE 1.0), which was the first major retirement legislation passed in more than a decade.

While some key SECURE 2.0 provisions are mandatory, many are optional and can be implemented voluntarily. Implementation deadlines vary and several provisions have required additional clarification from the Department of Labor and Internal Revenue Service (IRS), which in certain cases has pushed out the original required effective dates.

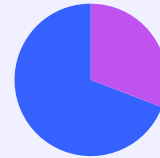
This paper reviews key provisions and goals of SECURE 2.0 and looks to provide key insights on how the implementation process of the various provisions is unfolding. It further explores adoption trends for voluntary provisions, the various factors influencing plan sponsor adoption decisions, and recommended next steps.

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Key provisions benefiting plan participants

SECURE 2.0 addresses some of the barriers to saving for the future, such as concerns about managing current debt and the potential need to cover unexpected expenses. It also considers longevity and the fact that people could spend multiple decades in retirement. SECURE 2.0 specifically helps plan sponsors take steps to help their employees address these needs and concerns, per the highlighted provisions below.



69%

of Americans say “running out of money” is a top financial concern, when it comes to living a very long life.¹

Growing qualified plan access and contributions

Increase in catch-up contribution limits for older participants (Section 109)	Increase in catch-up contributions for participants ages 60-63 to the greater of \$10,000 (\$5,000 for SIMPLE plans), indexed for inflation, or 50% more than the regular limit.	Effective January 1, 2025 Optional
Reduced eligibility timeline for part-time employees (Section 125)	Part-time workers who work 500 hours for two years are now permitted to participate in 401(k) and 403(b) ERISA plans, a reduction from the previous three-year requirement.	Effective January 1, 2025 Mandatory
Matching contributions for student loan payments (Section 110)	Employers can match an employee’s qualified student loan payment with a corresponding contribution to the employee’s retirement plan, helping them build retirement savings while they reduce their debt.	Effective January 1, 2024 Optional

Helping preserve retirement income for longer

Increase in the mandatory age for RMDs (Section 107)	Increase in the age for required minimum distributions from age 72 to age 73. This will increase to age 75 in 2033.	Effective January 1, 2024 Mandatory
Elimination of the partial annuitization penalty (Section 201)	Individuals can now aggregate annuities and other holdings for purposes of determining RMDs, which may help lower distribution amounts, reduce federal income tax, and allow savings to last longer.	Effective January 1, 2023 Mandatory

¹ Corebridge Financial, Living and Funding Longer Lives, October 2025.

Key provisions (continued)

Addressing emergency savings needs

Emergency savings withdrawals (Section 115)	Employers may allow individuals to access up to \$1,000 from their retirement savings for any unexpected expenses annually, without incurring the 10% early-withdrawal tax penalty. Previous withdrawals taken under this provision must be repaid before a new one is taken out.	Effective January 1, 2024 Optional
Qualified disaster distributions (Section 331)	Participants of 401(k), 403(b), governmental 457(b) and individual retirement plans can now receive penalty-free Qualified Disaster Recovery Distributions (QDRDs) when affected by natural disasters occurring on or after January 26, 2021.	Effective January 1, 2024 Optional
Domestic abuse distributions (Section 314)	Participants who self-certify they are the victims of domestic abuse may withdraw the lesser of \$10,000, indexed for inflation, or 50% of their account.	Effective January 1, 2024 Optional

Other types of provisions are focused on easing plan administration for employers, while the Roth catch-up contributions provision (discussed in more detail later) makes changes to the tax treatment of catch-up contributions for some employees.

Given the large number of provisions, it's important to work with your retirement plan provider to understand the available options, their relevance and implications for the plan, and steps required for implementation, if desired.

Implementation progress: Where we are today

Additional guidance has been provided. In response to questions and to help clarify specifics of certain provisions, the Department of the Treasury and IRS offered additional guidance in the form of proposed regulations and notices. These have been related to catch-up contributions, expanded retirement plan access for part-time employees, automatic enrollment requirements, matching retirement plan contributions for student loan debt payments, and other topics.

In some cases, additional time has been granted. To allow more time for implementation, the IRS has delayed the effective date of certain provisions. These included extending the Roth catch-up mandate (see “Spotlight on Roth catch-up provision” section) and certain aspects of RMD regulations (such as the treatment of surviving spouses as participants).

Employers are prioritizing mandatory over optional provisions. Given the complexity of some of the provisions, many plan sponsors are focused on implementing required provisions, such as automatic enrollment, Roth catch-up contributions, and expanded part-time worker eligibility, among others.

System updates are required for many of the provisions. A key learning since SECURE 2.0 was signed into law is the need for system updates – extensive in some cases – to enact many of the provisions. Recordkeepers, payroll providers, and other vendors are still making necessary technology updates to comply with the various provisions.

Implementation progress varies across vendors and plans.

Numerous steps must be taken to ensure recordkeeping, benefits, and payroll systems are compliant with each provision. The complexity associated with implementing provisions varies on a case-by-case basis; some provisions are more complicated and require additional guidance and may involve the coordination of multiple vendors.



Spotlight on Roth catch-up provision

The Roth catch-up provision states that in 2026, participants whose W-2 FICA income is \$150,000 or greater (indexed for inflation) in the preceding calendar year (and from the current employer) can only be made on an after-tax (Roth) basis.

Final regulations for Roth catch-up contributions

In September 2025, the Department of the Treasury and the IRS issued final regulations for the Roth catch-up provision. The final regulations set an effective date of January 1, 2027, to comply with Roth catch-up rules for most plans, with a later date for certain governmental plans and collectively-bargained plans.

However, it's important to note that starting January 1, 2026, plans are required to comply with the Roth catch-up requirements on a "reasonable, good faith" basis of their understanding of the requirements prior to the release of the final guidance.

You can work with your retirement provider to better understand the final regulations and what they mean for your plan.



Key items affecting the implementation of Roth catch-up contributions include:

- Not all plans currently allow for Roth deferrals or catch-up contributions, particularly not-for-profit (NFP) employers who are significantly less likely to offer Roth options. This can add an extra step for NFP employers if choosing to adopt the provision.
- Identifying and tracking FICA-eligible compensation, which is necessary for determining eligibility, is a new unique data element for plans.
- Recordkeeping and payroll systems must be programmed to comply with Roth-specific administrative requirements and feed into employer benefits systems.
- To meet desired timelines, coordination is needed between retirement plan administrators, payroll providers, and employers. However, the reality is that recordkeepers and payroll providers may be at different stages of implementation.
- The "Super" catch-up contribution provision, which increases the amount participants ages 60 to 63 can contribute to their retirement plan, adds an extra challenge to the implementation process by having to track and monitor eligible participants.

Considerations for optional provisions

The decision to adopt voluntary SECURE 2.0 provisions is multi-dimensional. It requires a careful analysis of the expected impact based on demographics, employee demand, alignment with plan goals, and existing resources.

Some retirement plan providers are facilitating the decision process with plan sponsors by establishing opt-out options for certain key provisions. Key considerations when evaluating provisions include:

- 1 Expected utilization:** Some provisions may not have a notable impact due to limited employee eligibility or likely adoption. For example, the “super catch-up” provision allows participants ages 60 to 63 to contribute even more to their retirement savings; however, few participants maximize their regular catch-up contributions.

In addition, certain plans may not have a significantly large active population in the 60-63 age eligibility band. For example, K-12 public sector employees may be retiring before they reach the age of “super catch-up” due to having already reached their pension plan service requirements.
- 2 Employee need and financial well-being:** Understanding employee financial stressors and priorities can help plan sponsors evaluate plan additions.
- 3 Available resources and implementation timelines:** Some plan sponsors may not currently have the bandwidth to thoroughly consider and implement provisions. Most provisions are voluntary, which means they can be prioritized based on ease of implementation, while more challenging ones can be considered later.
- 4 Peer adoption:** Competitive benchmarking could be a consideration. There is limited benchmarking data to date and plan sponsors are taking their time to evaluate what constitutes a must have feature. But, as more plan sponsors adopt provisions, this could create momentum for greater adoption.

Limited utilization isn't the only consideration, especially if a provision can improve participation for a specific group of employees, but understanding the impact can help plan sponsors determine their priorities.

Adoption trends for optional provisions

To better understand SECURE 2.0 adoption trends in the public sector, Corebridge surveyed plan sponsor clients and reviewed the implementation activity of more than 100 recordkept plans.³ Here is what we're seeing:

Hardship and emergency fund withdrawals: Plan sponsors understand that retirement plan savings may be the only source of funds available to some employees in an emergency. Yet, they are also focused on reducing pre-retirement plan distributions. Balancing the two through plan design is a key priority and helps explain the mixed adoption rates for hardship withdrawal provisions, outlined here:

- **Broadened source of hardship funds:** Almost 9 in 10 responding sponsors are planning to expand the funds available for hardship withdrawals from just employee contributions to include employer non-elective deferrals, matching contributions, and earnings on contributions. This provision aligns 403(b) plans with the current rules of 401(k) plans.
- **Hardship self-certification:** While self-certification could save plan sponsors time and money, there is concern that ease of access to retirement funds could result in non-hardship related use. As a result, implementation of this provision is slow as plan sponsors are retaining control over hardship approvals.
- **Disaster distributions:** More than half of responding plan sponsors are looking to implement qualified disaster recovery distributions. The spate of natural disasters that have hit various regions of the country have made this provision particularly top of mind for employers in affected regions.
- **Domestic abuse distributions:** Less than half of responding plan sponsors have opted to add this provision. To implement this provision, plans with Qualified Joint Survivor Annuities (QJSA) must amend their documents to remove QJSA or spousal consent.
- **Emergency expense:** While a notable proportion of plan sponsors have implemented this provision, it remains less than half of those responding despite its potential to boost participant contributions.

Increased cashout limit from \$5,000 to \$7,000: If a terminated employee's vested account value is \$7,000 or less, employers can make a cash distribution of those funds to the employee, rather than retaining and maintaining a small-value account. Nearly 9-in-10 plan sponsors are adopting the increased cashout limit. Of note, amounts from \$1,000 to \$7,000 must be rolled over into an IRA, unless the participant elects otherwise.

³Corebridge analysis is as of late January 2025.

Adoption trends (continued)

Student loan match: Few employers in the nonprofit space are currently planning to add an employer matching contribution for employee student loan payments. The decision isn't a dismissal of the financial challenges employees with student debt face, but it is driven by a combination of factors such as high participation rates for plans with automatic enrollment, a significant subset of employees without student loan debt, absence of an employer match or a large proportion of participants already maximizing the employer match, among others.

Many employers are still educating themselves on the wide range of available voluntary provisions and adoption rates are likely to increase over time.



Next steps for employers

Legislation of this scale takes time and effort to implement, but it's important to stay focused on the end goal: To help improve the financial lives and retirement readiness of workers. As for what's next, there is more work to be done on the legislative front, but there is no clear consensus as to what a potential "SECURE 3.0" bill would look like. In the meantime, here are some tips to navigate the ongoing implementation process.

- ✓ **Ask for help:** Lean on retirement providers and consultants to help you through the evaluation, adoption, implementation, and post-implementation phases.
- ✓ **Take a long-term perspective.** Revisit available provisions in the future. Circumstances may change within the plan and more time may become available to carefully reconsider provisions.
- ✓ **Craft a relevant communications plan.** Develop a thoughtful communication strategy to create awareness of newly added provisions and to educate participants. Certain provisions may also have specific participant communication requirements.
- ✓ **Don't forget about plan amendments.** An important part of the adoption process is amending plan documents to ensure the plan is compliant. Plan amendment requirements may vary by provision and plan type.
- ✓ **Track the impact.** Consider how newly adopted provisions are affecting key plan metrics such as participation, savings rates, withdrawals, and other core metrics. Understanding usage and impact may help fine tune future communications, educational approaches, and strategic initiatives.

Action today can lead to great things tomorrow. Action is everything.

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VC41088 (12/2025) 1840709

