



September 2023

The SECURE 2.0 Act of 2022 (SECURE 2.0), signed into law in December of 2022, includes a package of changes to the laws governing workplace retirement plans and Individual Retirement Accounts (IRAs). Enclosed please find an *Important Notice regarding SECURE 2.0*, which includes some of the key mandatory changes in the law relating to workplace retirement plans.

Please note that if you have a T. Rowe Price 403(b)(7) custodial account, T. Rowe Price will notify you once the T. Rowe Price 403(b)(7) Custodial Account Agreement has been updated to reflect changes in the law. Alternatively, if you have adopted the T. Rowe Price Individual 401(k) Profit Sharing Plan Basic Plan Document, any applicable amendments will be sent to you in a separate mailing. Please note that T. Rowe Price is unable to provide any details at this time regarding which optional provisions, if any, will be available for adoption in the T. Rowe Price Individual 401(k) Profit Sharing Plan Basic Plan Document. In the interim, please keep this notice with your records. If you have a money purchase or profit-sharing plan account at T. Rowe Price, please check with your plan document provider for any necessary updates.

There are an extensive number of optional provisions contained in SECURE 2.0. Please note that T. Rowe Price is unable to provide any details at this time regarding which service offerings related to the optional provisions will be available. The new law also includes provisions designed to encourage plan adoption by making it easier, through administrative simplifications and tax credits, for small businesses and sole proprietors to sponsor and maintain a retirement plan. The Treasury Department, IRS, and other regulators are continuing to consider and issue guidance relating to changes in the law. Please consult your tax and/or legal professional regarding any questions you have about the impacts these changes may have to your plan and particular situation.

Recent RMD Relief Issued by IRS for Individuals Who Turn 72 in 2023. Please note that the IRS recently issued *IRS Notice 2023-54* which provides relief if an individual receives a distribution from their retirement account between January 1, 2023 and July 31, 2023 to satisfy a 2023 Required Minimum Distribution (“RMD”) that is no longer required as a result of SECURE 2.0. This relief is for individuals that turn 72 in 2023 and inadvertently distribute what they thought was an RMD, not realizing SECURE 2.0 extended their RMD age to 73. Impacted individuals have until **September 30, 2023** to roll over the assets to an IRA or an eligible retirement account and are now permitted to repay that distribution.

Recent RMD Relief Issued by IRS for Certain Beneficiaries. *IRS Notice 2023-54* also provides a one-year extension (through 2023) of the IRS’s prior relief available for certain beneficiaries of retirement accounts who did not take an RMD, in 2021 and 2022, due to different interpretations of the changes in the law under the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act). As communicated previously in the document entitled *Important Notice SECURE Act and Its Impact to T. Rowe Price Workplace Retirement Accounts*, the SECURE Act added limitations for certain individuals to stretch distributions.

Recent Relief Issued by IRS for Plans/Plan Administrators. *IRS Notice 2023-54* also provides relief for plans and plan administrators who mischaracterized a distribution as an RMD and did not satisfy the withholding, direct rollover, or notice requirements for distributions between January 1, 2023 and July 31, 2023 issued to an individual to satisfy a 2023 RMD that is no longer required as a result of SECURE 2.0.

IRS Notice 2023-62 includes transition relief for the Roth catch-up contribution provision in SECURE 2.0. The notice provides a two-year “administrative transition period” for catch-up contributions by high earners that would otherwise have needed to be made on a Roth basis beginning in 2024.

If you have any questions, please call us at 1-800-492-7670.

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Important Notice regarding SECURE 2.0

Increase in age for Required Minimum Distributions (“RMD”s) for certain individuals SECURE 2.0 increases the age participants are required to start taking RMDs. Specifically, the required beginning date for RMDs has changed to April 1 of the calendar year following the calendar year in which a participant reaches the later of age 73 or retires. However, if the participant is a 5% owner of the business sponsoring the retirement plan, the RMDs must begin by April 1 of the year following the year the participant attains age 73, regardless of whether he or she is retired. This change only applies to participants who reach age 72 after 2022. The new law also provides that the RMD age will change again to 75 in 2033.

Elimination of RMDs for Plan Roth Account During Original Participant’s Lifetime Effective in 2024, Roth accounts in plans will no longer be subject to RMDs during the original participant’s lifetime. This change will eliminate one significant advantage of maintaining Roth balances in an IRA, which have never been subject to RMDs during their lifetime.

Catch-Up Contribution Changes

- Beginning 2024, SECURE 2.0 mandates all catch-up contributions must occur on a Roth basis, unless the participant received less than \$145,000 in prior-year wages from that employer or its affiliates.
- Beginning 2025, SECURE 2.0 increases the catch-up contribution limit for participants ages 60 to 63 to the greater of (i) \$10,000 or (ii) 150% of the regular catch-up amount for 2024, indexed for inflation.

Reduction in excise tax on certain accumulations SECURE 2.0 reduces the penalty for failure to take RMDs from plans and IRAs from 50 to 25 percent. If a failure to take an RMD is corrected in a timely manner, the excise tax is further reduced from 25 percent to 10 percent.

Repayment of Qualified Birth or Adoption Distribution (QBAD) SECURE 2.0 limits the period to recontribute a QBAD to 3 years from when the distribution occurred.

Modification of RMD Rules for Special Needs Trusts Clarifies that for a special needs trust that is established for beneficiaries with disabilities, the trust may provide for a charitable organization as the remainder beneficiary.

Amendment Deadlines SECURE 2.0 allows generous remedial amendment periods. As long as plans are operated in accordance with the provisions as of the effective date of the statute (or for optional provisions, the effective date specified in the plan), plan sponsors can take until the last day of plan years beginning after January 1, 2025, to formally amend the plan. SECURE 2.0 also extended the remedial amendment period for the Setting Every Community Up for Retirement Enhancement Act of 2019 to the same time frame.

Requirement to provide paper statements in certain cases Effective for Plan years beginning after December 31, 2025, SECURE 2.0 amends ERISA to generally provide that, with respect to defined contribution plans, unless a participant elects otherwise, plan administrators will be required to provide a paper benefit statement at least once annually.

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