# UCRS Advisory Board

Meeting of February 28, 2020

**AGENDA ITEM C**

UCRS – Further Consolidated Appropriations Act, 2020 – Implications for UC

The Further Consolidated Appropriations Act, 2020, which was approved by Congress and signed into law on December 20, 2019 and effective January 1, 2020, contains two Acts with changes that will be relevant to UCRS: The Setting Every Community Up for Retirement Enhancement Act (SECURE) and the Bipartisan American Miners Act of 2019.

The SECURE Act contains sweeping changes for retirement programs. One is a modification to Internal Revenue Code Section 401(a)(9), which requires that participants begin to take minimum annual distributions from retirement plans based on life expectancy by their Required Beginning Date (RBD). When enacted in the early 1960's, the RBD was set at age 70 ½, with later Acts in the 1980's allowing plans to adopt an RBD of April 1 following the later of (1) the calendar year in which participants reach age 70 ½, or (2) the calendar year in which they separate from service.

Effective January 1, 2020, for those born on or after July 1, 1949, the RBD is now April 1 following the later of (1) the calendar year in which participants reach age 72, or (2) the calendar year in which they separate from service. The SECURE Act did not change the RBD for those who turned 70 ½ prior to January 1, 2020, even for those still working at UC after this date.

To ensure full compliance with the IRS regulations and avoid penalties for participants who fail to take Minimum Required Distributions (MRD's), UC and Fidelity, the Retirement Savings Program recordkeeper, are updating processes, procedures, and communications, as well as training service teams to accommodate the new rules. All existing participants who turned age 70 ½ in 2019 or earlier will receive their MRD's as before.

In total the SECURE Act has fifteen legislative changes to expand and preserve retirement savings, the aforementioned RBD amendment being the only mandatory amendment for UCRS in 2020. The other mandatory change, which would ensure that certain designated non-spousal beneficiaries receive required distributions within a 10-year period, is not applicable for governmental plan employees until January 1, 2022. The Act's only other legislative change that applies to UCRS is an optional amendment that would allow for penalty free distributions, up to $5,000, for the birth or adoption of a child. This optional amendment is being reviewed and further updates will be provided.

The Bipartisan American Miners Act of 2019 contained one voluntary amendment that could impact UCRS, which allows IRC section 401(a) and 457(b) plans to reduce the minimum age for allowable in-service distributions. If adopted, active employees who participate(d) in UC's 457(b) Deferred Compensation Plan and/or Defined Contribution Plan would be permitted to take withdrawals of their accumulations at age 59 ½. Currently, in-service distributions from UC's

Tax-Deferred 403(b) Plan are allowed at age 59 ½. Adopting this amendment would align all the Retirement Savings Programs in-service distribution rules, but would allow participants earlier access to these funds. Further discussion and consultation with various UC constituent groups, including the UCRSAB, is necessary.

The complete House Committee on Ways & Means summary on the SECURE ACT is available for review by using the following link:
https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SECURE%20Act%20section%20by%20section.pdf

The complete Bipartisan American Miners Act of 2019 is available for review by using the following link:
https://www.congress.gov/116/bills/s2788/BILLS-116s2788is.pdf