Summary of proposal for adoption and implementation of provisions within the Securing a Strong Retirement Act of 2022 (SECURE Act 2.0) for UCRS

The Securing a Strong Retirement Act of 2022 (SECURE Act 2.0) was signed into law on December 29, 2022. Among its various provisions to increase retirement readiness and facilitate access to retirement savings, the SECURE Act 2.0 increased the age at which a participant must start receiving minimum required distributions, modified the character of catch-up contributions for certain participants, and repealed the percentage limit on Qualified Longevity Annuity Contracts (QLAC).

Required Provisions applicable to UCRS under SECURE Act 2.0:

Required Beginning Date for Minimum Required Distributions

- Increase to age 73 for calendar year 2023
- Increase to age 75 for calendar year 2033

Requirements to adopt the mandatory provisions:

- Compliance Amendments to the UCRP, 403(b), 457(b) and DC Plan signed by the Plan Administrator.
- Fidelity and the RASC will work to implement and communicate the changes to affected participants.

Optional Provisions available to UCRS under SECURE Act 2.0:

The following provisions will be presented to the Regents for approval during the March 2023 Regents meeting:

Distributions

1. Allow earnings on employee contributions to the 403(b) plan be made available for hardship distributions.
2. Permit penalty free distributions, including in-service distributions, from the 403(b) and 457(b) plans. Distributed amounts:
    - Are limited to the lessor of 50% of the participant's accumulations or $10,000, and
    - May be repaid within three years and such repayments will be deemed an eligible plan rollover.

Qualified Longevity Annuity Contract (QLAC)

1. Permit the purchase of a QLACs up to the new regulatory limit, the lessor of:
    - $200,000 (as indexed)
    - 100% of a participant's balance
2. Add a limited free-look period during which a participant can cancel the election of a QLAC purchase.
    - Authority to determine the duration and implementation will be delegated to OCIO.

Catch Up contributions to the 403(b) and 457(b)

Per the SECURE Act 2.0, catch up contributions must be made in the form of Roth (post-tax) contributions for those who make more than $145,000 in the prior calendar year, starting January 1, 2024. Catch up contributions do not apply to the DC plan.

To comply with SECURE Act 2.0, UC must either:

- Eliminate catch up contributions for those making over $145,000, or
- Add a Roth retirement plan for the 403(b) & 457(b)

Recommendations:

- Request authority from the Regents to add a Roth feature for the 403(b) and 457(b) for all employees in addition to existing pre-tax contribution provisions.
- Permit the acceptance of Roth rollover from another qualified plan.

Requirements to adopt the optional provisions:

- Regents must approve adoption of these provisions and the Regents Item will be presented at the March Regent' meeting.
- These provisions will be adopted and implemented, if approved, as soon as administratively feasible. These will require modification to UCPath payroll system and Fidelity.
- Plan amendment changes will be completed as required.
- Communication to participants of the available provisions will also be needed. Fidelity is already receiving participant requests.