



Supplemental Retirement Board of Trustees

SECURE Act



North Carolina
Total Retirement Plans
401k | 457 | 403b



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Setting Every Community Up for Retirement Enhancement (SECURE) Act

- President Trump signed into law on December 20, 2019 as part of a year-end spending bill
- Overarching goal is to expand and preserve retirement savings
- While not all provisions of the original Act were included, a number of important provisions are now law
- Not every provision of the new law is applicable to the North Carolina defined contribution plans
 - i.e. unrelated employers can participate in multiple employer defined contribution plans (“open MEPs”)
 - i.e. expanded use of college savings 529 plans (apprenticeships)
- Not every provision is mandatory – optional provisions require adoption by the board if so desired
- The NC 401(k), NC 457 & NC 403(b) plan documents will be amended to reflect changes (deadline 12.31.24)
- Effective dates for individual provisions vary



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Mandatory Provisions:

- Increase in Required Minimum Distribution (RMDs) for participants and beneficiaries to age 72
 - Increases initiation of RMDs from age 70 ½ to 72
 - Individuals who turned 70 ½ in 2019 continue on old schedule
 - Individuals who turn 70 ½ in 2020 do not need to take a distribution until age 72
 - Those receiving RMDs in 2019 will continue to do so.
- “Stretch” RMDs – applies to deaths after 12.31.21 (government plans)
 - Designated beneficiaries must draw down balances within 10 years of the death of the account owner. Does not apply to:
 - Surviving spouse
 - Minor child
 - Disabled, chronically ill
 - Beneficiaries not more than 10 years younger than account owner
- Coverage of Long-term, Part-time Employees (applies to NC 401(k) only)
 - Requires coverage of employees (age 21 and over) who complete at least 500 hours of service for 2 consecutive 12-month periods
 - Under evaluation - NC Statute defines NC SRP eligibility through participation in NC Pension Plans
 - Effective date: Plan years after 12.31.20



Optional Provisions

- Withdrawals for birth or adoption of a child
 - Withdraw up to \$5,000 penalty free due to the birth or adoption of a child
 - Must occur within 1 year of birth or adoption of child
 - Withdrawal may be repaid as a rollover contribution



Noteworthy Features

- Eases ability for Plan Sponsors to offer annuities
 - Safe Harbor for Annuity Provider Selection
- Portability of life time income options
 - Permits plan participants to take a distribution of life time income under certain situations (plan no longer offers option)
- Requires ERISA Defined Contribution plans to provide a lifetime income disclosure annually (i.e. *myNCRetirement* statement)
- Tax relief for distributions taken as a result of disasters occurring between 1.1.18 to 2.18.20
 - Distribution \leq \$100k
 - Exempt from 10% tax penalty
 - May be repaid within 3 years as a rollover to an eligible retirement plan
- Those who qualify for disaster distributions allowed to take larger loans between 12.20.19 and 6.17.20

