

GUEST COLUMN: The Effects of Secure Act 2.0 on WHA Members

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Sweeping changes for retirement plans were signed into law on December 29, 2022, as part of the Consolidated Appropriations Act. Specifically, Division T is known as SECURE 2.0, and it builds upon the foundation laid by the 2019 "Setting Every Community Up for Retirement Enhancement" Act (now referred to as SECURE 1.0).

SECURE 2.0 contains 92 provisions, which can be viewed as almost universally good, with "good" being defined as "helpful to the cause of promoting retirement security." Many of its provisions are effective immediately (i.e., 1/1/23 or before), so now is a good time for employers to begin familiarizing themselves with the new rules.

Of the 50+ sections of the Secure 2.0 Act that have modifications, two stand out and offer health care organizations a significant opportunity to better manage cost:

1. Multiple Employer Plans (MEPs)/Pooled Employer Plans (PEPs)

The Section 106 modification allows 403(b) plans to participate in MEPS (Multiple Employer Plans) and PEPS (Pooled Employer Plans), and it includes **relief for the one bad apple rule**, meaning the violations of one employer do not affect the tax treatment of other compliant employers.

- This is a huge opportunity for not-for-profit health care organizations who offer a 403(b) plan to capture the same cost savings offered today in 401(k) plans
- These plans have the potential to significantly decrease fiduciary liability, administrative burdens and plan audit cost
- Many forward-thinking organizations are looking into MEPS and PEPS today

2. Collective Investment Trusts (CITs)

Additionally, as part the Section 106 modification, new language has been introduced to allow 403(b) plans to access Collective Investment Trusts (CITs). CITs are pooled investment vehicles designed exclusively for use with qualified retirement plans and have been used in 401(k), 457 and other qualified plans for decades.

- These vehicles are alternatives to mutual funds or separate accounts and allow for greater flexibility in investment design and often times offer significant fee savings to employees
- **Additional securities/banking legislation is still required to make these available in 403(b) plans**

Additional information about how key elements of Secure Act 2.0 affect employee benefit design and operations is available by [visiting M3's Insight Center](#). If you would like to discuss in greater detail how these modifications could affect WHA members, please contact [Keith Berry](#), Partner, Senior Retirement Plan Consultant with M3 Financial.



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