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Correspondence Memorandum

Date: August 8, 2023

To: Deferred Compensation Board

From: Shelly Schueller, Director
Wisconsin Deferred Compensation Program

Dan Hayes, Attorney
Office of Legal Services

Subject: SECURE 2.0 Continued Analysis and Update on Implementation

This memo is for informational purposes only. No Board action is required.

SECURE 2.0, which was introduced at the Board’s April 2023 meeting ([Ref. DC | 04.20.23 | 7](#)) and further discussed at the June 2023 Board meeting ([Ref. DC | 06.08.23 | 9](#)), includes multiple provisions that impact the WDC. This memo provides a status update on provisions that became effective in 2023 (see Table 1) and those that could be effective in 2024 (see Table 2).

Suggested Plan and Trust document language to implement SECURE 2.0 for the WDC will be reviewed and discussed as part of the “Proposed Plan and Trust Revisions” item at the September 2023 Board meeting ([Ref. DC | 09.07.23 | 11](#)).

Table 1. SECURE 2.0 Sections Effective in 2023

Section	Topic	WDC Focus	Status
Section 107: Increased Required Minimum Distribution (RMD) Age	The age for RMDs increased from 72 to 73. <ul style="list-style-type: none"> Participants who turned age 72 in 2022 or earlier will need to continue taking RMDs as scheduled. Participants turning age 72 in 2023 and have already scheduled withdrawal may postpone first RMD until turning age 73. 	WDC Plan and Trust	Suggested update ready for Board consideration. WDC record keeper has implemented.

Matt Stohr

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services
Electronically Signed 08/15/2023

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Section	Topic	WDC Focus	Status
Section 302: Decreased RMD Excise Penalty	The IRS federal excise penalty for not taking a RMD by the deadline decreases from 50% to 25% of the RMD amount.	n/a (automatic)	WDC record keeper has implemented. All WDC materials will be updated before end of 2023.
Section 306: First Day of the Month Contribution Changes	Eliminates the “first day of the month” requirement for 457(b) gov’t plans. Participants may change their deferral rate at any time before the compensation is available to the individual.	WDC Plan and Trust	Suggested update ready for Board consideration. WDC record keeper making programming changes. Expected to start Nov. 1, 2023.
Section 327: Surviving Spouse Election to be Treated as Employee	Allows a spousal beneficiary to irrevocably elect to be treated as the employee for RMD purposes and if the spouse is the employee’s sole designated beneficiary, the applicable distribution period after the participant’s year of death is determined under the uniform life table.	WDC Plan and Trust	Suggested update ready for Board consideration.
Section 328: Public Safety Officer Insurance Deduction	Payment of qualified health insurance premiums directly to (1) the insurer or (2) the participant (ppt must include a self-certification that funds did not exceed the amount paid for premiums in the year of the distribution when filing the tax return for that year).	State statute 40.80(2t) should be deleted so the statute matches federal law. WDC Plan and Trust	ETF will request the deletion as part of its technical changes/remedial legislation request. Suggested Plan and Trust update ready for Board consideration.
Section 329: Extending PSO exemption	Extends the qualified public safety employee (QPSE) exemption from the 10% early withdrawal penalty to now apply to corrections officers who separate from service in the year they reach age 50 or later and to public safety officers that are separated from employment with at least 25 years of service. These employees may withdraw money without being subject to a 10% early withdrawal penalty.	WDC Plan and Trust	Suggested update ready for Board consideration. WDC record keeper making programming changes. Expected availability: December 2023.

Table 2. SECURE 2.0 Sections Effective January 1, 2024

Section	Topic	WDC Focus	Status
Section 325: Roth plan distributions	Extends the pre-death RMD exemption to Roth amounts in s. 457 plans.	WDC Plan and Trust	Suggested update ready for Board consideration.
Section 603: Higher Paid Employees to Contribute to Roth ONLY for Age 50+ Catch- Up	Age 50+ Catch-up contributions made by participants who earn \$145,000 or more in the prior year (indexed for inflation) must be made to a Roth account.	WDC Plan and Trust	<i>On hold.</i> National organizations have requested guidance and two-year delay on implementation. Part of the challenge is the need to track participants' previous year earnings (\$145,000 threshold) and coordinate access to this information among payroll systems, employers, and recordkeepers.

ETF will continue to monitor developments related to implementing provisions of SECURE 2.0 and provide updates to the Board.

Staff will be at the Board meeting to answer any questions.