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Correspondence Memorandum

Date: November 11, 2024

To: Deferred Compensation Board

From: Shelly Schueller, Director
Wisconsin Deferred Compensation Program

Dan Hayes, Attorney
Office of Legal Services

Subject: SECURE 2.0 Update as of November 11, 2024

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

This memo provides an update on the remaining provisions of SECURE 2.0 that could impact the Wisconsin Deferred Compensation Program (WDC). No action is recommended on these provisions until more guidance is released.

Table 1: Mandatory Provisions

Section	Topic	ETF Analysis/Notes
Section 603: Higher Paid Employees to Contribute to Roth ONLY for Age 50+ Catch-Up.	Effective January 1, 2026, 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. This provision is not optional.	*On hold*. A two-year administrative transition period was announced on August 25, 2023, moving the effective date from January 1, 2024, to January 1, 2026. Implementation challenges include tracking participants' previous year earnings and coordinating this information between employers' payroll systems and recordkeepers. ETF anticipates this provision will be on a 2025 Board agenda.

Patti Epstein
Reviewed and approved by Patti Epstein, Chief Benefits Officer, Division of Benefits Administration
Electronically Signed 11/15/2024

Board	Mtg Date	Item #
DC	12.05.24	9A

Table 2: Optional Provisions

Section	Topic	ETF Analysis/Notes
Section 115: Withdrawals for certain emergency expenses.	Allows one penalty-free withdrawal of up to $1,000 per year for “unforeseeable or immediate financial needs relating to personal or family emergency expenses” without penalty. The withdrawal may be repaid within three years. Only one withdrawal per three-year repayment period is permitted if the first withdrawal has not been repaid.	ETF is analyzing this provision and may bring to the board for discussion in 2025. Implementation challenges include defining “personal emergency expense,” how the participant should include this withdrawal in a tax filing, and repayment of distributions.
Section 127: Plan-linked Emergency Savings Accounts (PLESAs)	Permits a plan to include a “pension-linked emergency savings account” that meets certain requirements and makes corresponding changes to the Internal Revenue Code of 1986 regarding the tax treatment of these accounts.	ETF recommends no action until more guidance on applicability to s. 457(b) plans and other regulatory questions are fully resolved
Section 312: Employer may rely on employee certifying that deemed financial emergency distribution conditions are met.	Allows a plan to rely on an employee’s self-certification that they have had an event for purposes of taking a financial emergency hardship withdrawal. The administrator is permitted to rely on the employee’s certification that the distribution is not in excess of the amount required to satisfy the financial need and that the employee has no alternative means reasonably available to satisfy the financial need.	ETF is analyzing this provision and may bring to the board for discussion in 2025. Implementation questions include frequency, amount and other self-certification limits.

Section	Topic	ETF Analysis/Notes
Section 334: Long-term care contracts purchased with retirement plan distributions.	Plans may distribute a certain amount per year for certain long-term care insurance contracts. The amount permitted to be distributed is the lowest of: (1) the amount paid by or assessed to the employee during the year for long-term care insurance; (2) 10% of the employee's vested accrued benefit in the plan; or (3) $2,500 (indexed for inflation beginning in 2025). Distributions from plans and IRAs would be exempt from the 10% penalty on early distributions if used to pay premiums for high quality, long-term care insurance.	ETF recommends no action until after questions including what is "qualifying" coverage and what is "high quality coverage" are resolved.

Table 3: Provisions Not Applicable to WDC

Section	Topic	ETF Analysis/Notes
Section 326: Exception to penalty on early distributions from qualified plans for individuals with a terminal illness.	Creates an exception to the 10% early withdrawal penalty for distributions to individuals who have an illness or condition that is reasonably expected to result in death in 84 months or less, as certified by a physician.	Federal language in IRS Notice 2024-2 indicates s. 457 plans such as the WDC are not eligible to implement this provision.

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

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