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A Little Less Conversation, a Little More Action: Major Retirement Plan Legislation Is Finally Signed Into Law

Insight — December 23, 2019

After being on the verge of enactment last spring but failing to pass, the SECURE Act will become law after all. Congress included the Setting Every Community Up for Retirement Enhancement Act of 2019 (H.R. 1994) (the SECURE Act) in the year-end spending legislation needed to keep the government running. The House passed the Further Consolidated Appropriations Act, 2020 (H.R. 1865) - which included the SECURE Act provisions - on December 17, 2019. The Senate followed on December 19, 2019, and President Trump signed it on the last day possible for the spending bill - December 20, 2019.

For a summary of the major SECURE Act provisions that impact retirement plans, see our previous article. In addition to including the SECURE Act provisions, the year-end legislation adds a few other provisions impacting retirement plans and other benefits. Defined benefit plans such as cash balance plans can now allow in-service withdrawals once a participant reaches age 59-1/2, instead of age 62. The minimum age for in-service withdrawals from 457(b) plans is also lowered to 59-1/2.

For welfare benefits, the year-end legislation repeals the “Cadillac Tax” which would have otherwise taken effect in 2022. The Cadillac Tax was part of the Affordable Care Act (ACA) and would have imposed a 40% excise tax on the insurer or employer for any “high cost” employer-provided health plan coverage.

Many of the benefits provisions are effective in 2020, although some are optional. The legislation generally provides time to amend retirement plans until the last day of the plan year that begins in 2022, and some governmental plans and collectively bargained plans have later deadlines until as late as 2024.

We will be covering many of the specific changes in more detail in upcoming blog posts. Sign up to regularly receive our blog posts (which come more often and on more varied topics than our Alerts).

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