

Secure 2.0

403(b) and 457(b) Mandatory Provision Implementation Notes

<u>Name and Implementation Year</u>	<u>Description</u>	<u>Implementation Notes</u>
AVAILABILTY OF ROTH IN THE PLAN to comply with mandatory Section 603: Age Based Catch-ups required to be Roth for certain employees (2026)	<ul style="list-style-type: none"> • Applies to employees making \$145,000 or more (indexed) the prior year only • Amounts applicable to Age Based catch-up must made as Roth Deferrals 	CCC's position: All 403(b) or 457(b) Plans not currently offering Roth are to be updated to allow for Roth effective 1/1/2026 or earlier to comply with mandatory Section 603 provision.

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403(b) and 457(b) Optional Provisions*

<u>Name and Implementation Year</u>	<u>Description</u>	<u>Default and Considerations</u>
Section 109: Increased Age-Based Catch-up for those 60-63 years old (2025)	<ul style="list-style-type: none"> Increases the Age-Based catch-up to <u>greater</u> of \$10,000 or 150% of regular Age 50 Catch-up amount for those ages 60-63 by the respective year end. 	CCC's position: Permit 403(b) and 457(b) plans.
Section 110: Treatment of Student Loan payments as Elective Deferrals for the purpose of making Matching Employer Contributions (2024)	<ul style="list-style-type: none"> Allows employer to treat a qualified student loan payment as an elective deferral for matching employer contribution purposes Requires a matching program to be in place 	<p>CCC's position: Do not permit in 403(b) or 457(b) plans.</p> <p>Upon consultation with CCC, request may be added to the plan. Documentation requirements and best practices still in development.</p>
Section 115: Withdrawals for certain Emergency Expenses (2024)	<ul style="list-style-type: none"> One distribution of up to \$1000 permissible per year Repayable within 3 years Unforeseeable emergency or financial need Self-certification allowed No Early Withdrawal Penalty 	CCC's position: Permit in 403(b) and 457(b) plans.
Section 127: Emergency Saving Account (2024)	<ul style="list-style-type: none"> This is a separate account type \$2500 annual contribution cap 	<p>CCC's position: Do not permit in 403(b) or 457(b) plans</p> <p>Currently, this is <u>not</u> an account type that vendors in the 403(b) and 457(b) marketplace are making widely available and may present payroll/ remittance barriers.</p>

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<u>Name and Implementation Year</u>	<u>Description</u>	<u>Default and Considerations</u>
Section 304: Updating the limit for mandatory distributions (small balance cash-outs) (2024)	<ul style="list-style-type: none"> • Limit may be increased to \$7,000 (up from \$5,000) • NOTE: Generally, CCC's policy is to not make mandatory distributions of small balances 	CCC's position: Do not Permit. An increased small balance cash-out limit in 403(b) and 457(b) plans will increase limit upon request by plan sponsor.
Section 306: Elimination of "first day of the month" requirement for deferrals in 457(b) Plans (2023)	<ul style="list-style-type: none"> • Eliminates the requirement that the election to make a 457(b) deferrals in the month prior to when the deferral is to take effect. 	CCC's position: Permit in 457(b) plans.
Section 312: Hardship and Unforeseen Emergence Withdrawal Self-certification (2023)	<ul style="list-style-type: none"> • Eliminates the requirement for documentation of the expenses to be submitted by participants for the Hardship (in 403(b) Plans) or Unforeseen Emergency (in 457(b) Plans) allowing employee to self-certify that the standards are met. 	CCC's position: Permit in 403(b) and 457(b) plans.
Section 314: Domestic Abuse Distribution (2024)	<ul style="list-style-type: none"> • Self-Certified experience of Domestic Abuse within 1 year • Limited to the lesser of \$10,000 (indexed) or 50% of the account balance • May be repaid in over 3 years • No Early Withdrawal Penalty • May not be applicable to plans requiring spousal consent or is subject to QJSA (ERISA Plans) 	<p>CCC's position: Permit in 403(b) and 457(b) plans. Distribution is available from all sources and available to all participants both in service and severed from employment. No minimum distribution amount required.</p> <p>Open to discussion re: implementation concerns. We may call this a "Section 314" distribution on reports in consideration of privacy concerns.</p>

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<u>Name and Implementation Year</u>	<u>Description</u>	<u>Default and Considerations</u>
Section 326: Terminal Illness Early Withdrawal Exception (2023)	<ul style="list-style-type: none"> • No Early Withdrawal Penalty ONLY • Must meet a Qualifying Event for distribution (this does not create a new distribution type) 	<p>CCC's position: Permit in 403(b) plans. (Note not clear this is a provision in the plan vs. a 72(t) exclusion and what the Plan Admin. Role in facilitating this will be ... note this was not included in the optional feature lists from some vendors). Should additional guidance allow this as a new distribution type the default would be to permit this new distribution type.</p> <p>Open to discussion re: implementation concerns. We may call this a "Section 326" distribution on reports in consideration of privacy concerns.</p>
Section 334: Qualified long-term care distributions (2026)	<ul style="list-style-type: none"> • \$2,500 (indexed after 2024) • Special distribution option with no early withdrawal penalty to pay for certified long-term cared insurance premiums 	<p>CCC's position: Permit in 403(b) and 457(b) plans</p>
Section 331: Qualified Disaster Distributions and Loans (2022)	<ul style="list-style-type: none"> • Federally Declared Disasters only • Up to \$22,000 total distribution from all plans or IRAs • Can only distribute from fully vested sources • May be repaid over 3 years • No Early Withdrawal Penalty • Loans: Up to 100% of acct (up to \$100,000) and a repayment extension of one year 	<p>CCC's position: Permit with availability for all sources, \$22,000 distribution limit, \$100,000 loan limit, and the repayment extension in 403(b) and 457(b) plans.</p>

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<u>Name and Implementation Year</u>	<u>Description</u>	<u>Default and Considerations</u>
Section 602: Hardship Distribution expansion of available asset types and removal of the requirement to take Loan (2024)	<ul style="list-style-type: none"> • Hardship Distribution may include QNEC, Qualified Matching Contributions, and Earnings on any of these categories plus and on Elective Deferrals • Removal of the requirement for a participant to take a Loan instead of a Hardship (if available and not counterproductive) 	CCC's position: Permit in 403(b) plans.
Section 604: Treatment of Employer Contributions as Roth (2023)	<ul style="list-style-type: none"> • Participants may designate employer contributions as Roth contributions. • CCC's current understanding is that these will be sent as pre-tax Employer Contributions by the Employer with Roth conversion taking place at the vendor level. • Reportable on Form 1099-R by vendor and handled similar to an In-Plan Roth Conversion, taxable to the Participant that year. • Contributions must be 100% vested 	<p>CCC's position: Do not permit.</p> <p>The vendor willingness to do the conversion reporting may be limited. Taxation reporting to the participant is via a vendor 1099-R (does not increase taxable income reported on the W2 from the employer and to the State Retirement Plan). Full understanding of reporting requirements and best practices still in development.</p>

**Note: All provisions permitted are available on the earliest date permitted under Secure 2.0. All provisions permitted are only available to the extent they are permitted in the underlying investment contracts and vendor policies. In the event a CCC client elects for default other than those noted here at a future time, CCC will update the vendors currently in the 403(b) or 457(b) plan.*