

# SECURE 2.0: What Employers Need to Know for 2025

The struggle is real for American employees striving to build savings for the future and for employers adhering to the requirements of the SECURE 2.0 Act of 2022 (SECURE 2.0). Designed to enhance savings opportunities for employees, SECURE 2.0 features more than 90 new mandatory and optional retirement provisions

In recent years, U.S.-based organizations that sponsor retirement plans have grown concerned that workers have faced numerous hurdles to building and preserving a nest egg. Employees who lack a clear path to retirement may slow employer growth, increase healthcare costs and become dissatisfied as the years pass.

**\$50,000+** Lack of retirement-readiness in a workforce can impact an organization's bottom line by more than \$50,000 annually for every employee who can't retire on time.<sup>1</sup>

That cost can quickly add up to millions of dollars annually – a financial hit that's unsustainable for most organizations. Helping employees save for the future and become retirement-ready is critical and employers can find effective solutions to increase retirement plan participation through enhancements to employee education and financial wellness programs.

Complying with SECURE 2.0's provisions supports retirement readiness, however the legislation's complexities are an ongoing challenge for employers. Retirement plan committees seek direction and clarification as additional IRS and DOL guidance is issued on a regular basis.

## Set a SECURE 2.0 Strategy

As several new SECURE 2.0 provisions became effective January 1, 2025, USI Consulting Group's (USICG's) experts recommend employers review their retirement plan(s) and consider taking advantage of options that provide their employees with additional ways to save. USICG's retirement consultants provide effective guidance to help employers:

- **Understand** the new provisions
- **Set a strategy** to improve employee savings participation (to boost retirement readiness)
- **Identify opportunities** to reduce long-term costs to the organization through a workforce that is retirement ready

### Key SECURE 2.0 provisions to focus on in 2025:

- ✔ Super catch-up contributions for ages 60-63 (*optional*)
- ✔ Roth catch-up contributions for high-wage earners (required in 2026)
- ✔ Employer contributions treated as Roth contributions (*optional*)
- ✔ Expanded coverage for Long-Term Part-Time (LTPT) workers
- ✔ Mandatory automatic enrollment & escalation for plans established after December 29, 2022
- ✔ Employer matching contributions on student loan payments (*optional*)
- ✔ Self-certification of hardship withdrawals & other distribution options (*optional*)

## ✔ Super catch-up contributions for ages 60-63 (optional)

Beginning in 2025, SECURE 2.0 changes allow certain participants in 401(k), 403(b) and governmental 457(b) plans that provide this option to put in an additional catch-up contribution that is being referred to as the “super catch-up contribution”. To be eligible the **participant must be at least 60 and no older than 63** by the end of 2025. This provision is optional for employers; however, it is a popular feature when implemented. To the right is an overview of the catch-up limits for 2025.

It’s important to note that participants who are 59, but will turn 60 by December 2025, will qualify for the increased catch-up. Those who are 63 and will reach age 64 before the end of the year will not be eligible for the super catch-up.

Age	IRS Deferral Limit	Catch-up Limit	Total Limit
Up to 49	\$23,500	N/A	\$23,500
50 to 59	\$23,500	\$7,500	\$31,000
60 to 63	\$23,500	\$11,250 <sup>2</sup>	\$34,750
64 and up	\$23,500	\$7,500	\$31,000

## ✔ Roth catch-up contributions required for high-wage earners

Beginning January 1, 2026, participants in 401(k), 403(b) and governmental 457(b) plans who earned more than \$145,000 in FICA wages in the prior year will be required to **make catch-up contributions on a Roth (after-tax) basis** rather than a pre-tax basis. This provision does not apply to individuals who did not receive FICA wages in the prior year even if they earned more than \$145,000 (e.g., partners, governmental employees whose services are excluded from Social Security, or self-employed individuals). The \$145,000 threshold will be adjusted annually for inflation.

Plan participants who earn less than \$145,000 for the preceding calendar year must be given the option – but are not required – to make catch-up contributions on a Roth basis.

USICG’s benchmarking studies show **88% of plan sponsors** offer Roth catch-up contributions.

This provision will require collaboration with the plan’s recordkeeper and the company’s payroll provider. We are recommending that plan sponsors immediately get started on reviewing the necessary steps to implement this required provision.

## ✔ Employer contributions treated as Roth contributions (optional)

An optional provision of SECURE 2.0 enables employers to allow plan participants to **receive employer-matching and nonelective contributions on a Roth (after-tax) basis**. Employers offering this option must follow the IRS’s guidance for the implementation and potential tax impacts for employees. Employer matching and nonelective contributions are:

- Included as gross income for the taxable year and reported on Form 1099-R (not on the participant’s W-2)
- Subject to income taxes when they are allocated to the participant’s Roth account, but they are not subject to federal income tax withholding, FICA or other payroll taxes (As a result, employees may want to adjust their W-4 withholding to counter a potentially higher tax bill at the end of the year)

USICG recommends employers who are considering implementing this provision consult with trusted tax professionals and payroll providers to weigh the benefits and challenges of the option.

Participants with both pre-tax and Roth contributions have **account balances that are 43% higher** compared to those with no Roth contributions.<sup>3</sup>

### ✔ Expanded coverage for LTPT workers

Effective January 1, 2025, Long-Term Part-Time (LTPT) employees who are **at least 21 years old and have completed at least 500 hours of service in two consecutive years are eligible to contribute** to their employers' 401(k) or 403(b) savings plan. However, employers are not obligated to provide additional matching contributions for LTPT employees due to this rule change.

It is important to note that the employer is responsible for tracking the hours and notifying their service provider of LTPT employees who are eligible to participate. Rather than tracking hours, USICG has seen some employers choose to amend their plan documents to allow all part-time employees to participate.

### ✔ Mandatory auto enrollment & escalation for plans established after December 29, 2022

Employers who introduce **new 401(k) or 403(b) retirement savings plans (after December 29, 2022) must auto-enroll all eligible employees** with a default rate between 3% and 10% of the employee's salary. The plan must **also provide auto-escalation** of 1% annually up to a maximum deferral of at least 10%, but no more than 15%.

Plans established before or on December 29, 2022, are exempt from this provision, as well as SIMPLE plans, church plans and governmental plans.

### ✔ Employer matching contributions on student loan payments (optional)

In August 2024, the IRS published Notice 2024-63 issuing interim guidance on qualified student loan payment matching contributions. This provision can help employees who have not been able to save for retirement because of overwhelming student loan debt and as a result may have been missing out on available employer matching contributions. This provision provides a remedy as **employers may make matching contributions to the retirement plan based on a participant's student loan payments**, as if those payments were elective deferrals to the plan. Employers can rely on employee certification of the student loan payments.

### ✔ Self-certification of hardship withdrawals & other distribution options (optional)

Through SECURE 2.0, employers may choose to offer **distribution options that allow participants, in times of need, access to retirement funds**. Participants can self-certify their eligibility, which reduces employer liability and allows them to respect the privacy of employees facing adversity.

In addition to the hardship distribution option, the following new distribution options are available under SECURE 2.0, and employers may choose to adopt some or all immediately or at a later date:

- Withdrawals for emergency expenses up to \$1,000
- Withdrawals for federally declared disasters
- Eligible distributions for domestic abuse victims
- Qualified birth or adoption distributions (QBADs)

## Implementation & amendment deadlines

Employers understand their retirement plans must be operated in good faith compliance, including implementing mandatory SECURE 2.0 provisions or any optional changes they've chosen to feature. On December 20, 2023, the IRS issued Notice 2024-02 which **extends the deadline for executing plan amendments** relating to applicable provisions of the SECURE, CARES and SECURE 2.0 Act and any related regulations:



General deadline:  
**December 31, 2026**

Collectively bargained plans:  
**December 31, 2028**

Governmental plans:  
**December 31, 2029**

## Provisions promote the path to retirement readiness

Inflation, increased housing costs, healthcare bills and student loan payments thwart efforts by American workers to set aside savings for the future. A 2024 EBRI study<sup>4</sup> indicated 34% of the workers surveyed believed that saving for retirement is not a priority compared to other needs including paying off debt, making ends meet, creating an emergency fund, saving for a major purchase, etc.

SECURE 2.0 was designed to help employees become retirement ready and mitigate the projected economic costs employers face when workers are unprepared to retire at their normal retirement age.

USICG works with clients to develop and implement a comprehensive strategy to promote retirement readiness which delivers:

- Successful transitions to retirement
- Improved employee engagement
- Increased productivity
- Reduced employer healthcare expenses and labor costs

### How USICG can help

SECURE 2.0 brings dozens of new requirements, and it's important to understand the changes and ongoing IRS and DOL clarifying guidance. USICG can help employers navigate the provisions and implement a strategy to enhance financial wellness programs, increase employee participation and mitigate the long-term financial impact to the organization.

To learn more, contact your USICG representative or reach out to us at [information@usicg.com](mailto:information@usicg.com).

<sup>1</sup> Prudential, Why Employers Should Care About the Costs of Delayed Retirements, 2019.

<sup>2</sup> The \$11,250 reflects 150% of the 2025 regular catch-up amount of \$7,500.

<sup>3</sup> Principal proprietary data, December 2023.

<sup>4</sup> Employee Benefit Research Institute (EBRI), Retirement Confidence Survey, 2024.

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