



Date: October 1, 2023

To: UNC Retirement Program Participants

From: Brian Usischon, Senior Associate Vice President of Human Resource Services

Subject: Important Information About the UNC Retirement Programs

The 2023 Consolidated Appropriations Act (CAA) was signed into law by the President on December 29, 2022 and contains significant changes to employer-provided retirement plans. The changes are referred to as SECURE Act 2.0, as they build upon the initial SECURE Act, which altered rules regarding saving and withdrawing money from retirement accounts. SECURE 2.0 gives plan participants new flexibility and accessibility to their retirement savings.

The purpose of this email is to inform you of the SECURE 2.0 changes and how they will impact University System sponsored retirement plans (i.e., the UNC Optional Retirement Program (ORP), UNC 403(b) and UNC 457(b) plans). Keep in mind that the effective dates for SECURE 2.0 provisions are not all the same. See below for a summary of some of the changes we are considering implementing, along with the timing for each.

CHANGES TO REQUIRED MINIMUM DISTRIBUTION RULES

All University System retirement plans will adopt the SECURE 2.0 provisions around Required Minimum Distributions (RMDs), outlined in the chart below. **Note:** Additional plan withdrawal provisions apply to the UNC 403(b) plan. See the 403(b) Plan Specific Provisions section below for details on those and other provisions.

What's Changing	Details and Timing
RMD age increases for certain individuals	<p>SECURE 2.0 increased the beginning age for RMDs to:</p> <ul style="list-style-type: none"> • Age 73 for participants who turn 72 starting January 1, 2023 • Age 75 for participants who turn 74 starting January 1, 2033 <p>Note: If a retired participant turned 72 in 2022 or earlier, they will need to continue taking RMDs as scheduled.</p>
RMD exemption for Roth accounts	<p>Starting in 2024, participants are no longer required to take pre-death RMDs from Roth accounts in the UNC 403(b) or UNC 457(b) plans. This applies even if a participant already started receiving RMDs in 2023 or earlier. Note: The ORP does not have a Roth Account provision, so this change does not impact the ORP.</p>

403(B) PLAN SPECIFIC PROVISIONS

The chart below outlines SECURE 2.0 provisions that **may apply** to the UNC 403(b) plan only.

What's Changing	Details and Timing
Expanded contribution sources for a 403(b)-hardship withdrawal	Effective for plan years beginning after December 31, 2023, amounts available for a hardship withdrawal can include earnings on any elective deferrals (both Pre-Tax and Roth).
New withdrawal opportunities for certain hardship/emergency expenses	<ul style="list-style-type: none">• For natural disasters: Participants can withdraw up to \$22,000 to pay for expenses related to a federally declared disaster without incurring a 10% early withdrawal penalty. Further, the participant can elect to spread the taxable income withdrawn over three years. These changes are effective for a disaster occurring after January 26, 2021.• For domestic abuse survivors: Beginning sometime in 2024, participants can withdraw the lesser of \$10,000 or 50% of their retirement account without the 10% early withdrawal penalty by self-certifying they experienced domestic abuse. Funds may be used for a variety of reasons, including to escape from an unsafe situation.• For emergency expenses: Beginning sometime in 2024, participants can withdraw up to \$1,000 per year for certain personal or family emergency expenses. The withdrawal would be taxable but not subject to the 10% penalty for early withdrawals. Note: The participant can elect to repay the withdrawal within three years. While repayment is not required, no additional emergency expense withdrawals are permitted during the three-year period until the first withdrawal is repaid.

ROTH CONTRIBUTIONS & DEFERRAL ELECTIONS

The chart below outlines the SECURE 2.0 provisions that apply to the UNC 403(b) and 457(b) plans.

What's Changing	Details and Timing
New Roth contribution requirement delayed until January 1, 2026	Initially, starting in 2024, all catch-up contributions, for participants who are age 50 or over, were supposed to be Roth deferrals (i.e., after-tax contributions) for participants with compensation of \$145,000 (Box 5 of your W-2) or more in the prior calendar year. The IRS recently announced a delay in the implementation of this requirement until January 1, 2026.
Governmental 457(b) Deferral Election Change	Currently, UNC 457(b) plan participants must make a deferral election in the month prior to the compensation being paid. Starting in 2023, Secure 2.0 eliminated the "first day of the month" rule for governmental 457(b) plans allowing participants to change their salary deferrals at any time in the month as long as the compensation has not yet been made available to an employee. This provision became effective earlier this year for the UNC 457(b) plan and we have already modified the 457(b) Voluntary Salary Deferral Form.

STUDENT LOAN REPAYMENTS

An optional provision for employers to treat student loan repayments as elective deferrals for purposes of matching contributions allows participants to self-certify and receive a matching contribution to their retirement plan for qualifying student loan repayments made for plan years beginning after December 31, 2023. **Note: This provision does not apply to the UNC ORP, as the ORP is not considered a "voluntary" match plan.**

QUESTIONS

If you have any questions, please contact your University Benefits Representative.