

FOR IMMEDIATE RELEASE

New *Fast Fact* from Public Retirement Research Lab Examines SECURE 2.0 Changes to Low-Balance Distribution Limit by Age and Tenure

WASHINGTON, DC/LEXINGTON, KY, November 2, 2023—The Public Retirement Research Lab (PRRL) today announced release of a new *Fast Fact* examining SECURE 2.0 changes to the low-balance distribution limit by age and tenure. The Public Retirement Research Lab (PRRL) is an industry-sponsored collaborative effort of the Employee Benefit Research Institute (EBRI) and the National Association of Government Defined Contribution Administrators (NAGDCA).

Under current provisions, retirement plans are permitted to force out participants with vested account balances up to and including \$5,000.00. The SECURE 2.0 Act increases the dollar limit for mandatory force outs to \$7,000.00 for distributions after December 31, 2023.

This *Fast Fact* analysis draws on cross-sectional data from the PRRL database to gain insight into the number of additional accounts that could potentially be impacted by this change. It reveals the following:

By Age

More than one quarter (28 percent) of accounts with balances of \$1,000.00 or less are associated with participants in their 20s. The participant populations most affected by the threshold increase are in their 30s and 40s with balances between \$5,000.01 and \$7,000.00, 28 percent and 25 percent, respectively. Older participants typically have higher account balances than younger employees. As such, they are less likely to be impacted by the provision.

By Tenure

Low-balance accounts are associated with participants who are relatively new to their employer. Nearly three-quarters (71 percent) of accounts with \$1,000.00 or less are associated with participants with five or fewer years of tenure. Most commonly, these accounts are held by participants with two or fewer years of tenure. The most accounts newly affected by the threshold increase are held by employees with between two and five years of tenure (38 percent) and five and ten years of tenure (29 percent). Over three-quarters (78 percent) of newly affected accounts are associated with participants with ten or fewer years of tenure.

Conclusions

As of year-end 2021, approximately 36 percent of accounts have balances of \$5,000 or less. The new cap of \$7,000 or less increases the account number to 42 percent. The age groups most impacted by this regulatory change are those in their 30s and 40s, accounting for 28 percent and 25 percent of participants with account balances between \$5,000 and \$7,000, respectively. The tenure groups most affected by this change are those with tenures between 2-5 years and 5-10 years, representing 38 percent and 29 percent of participants, respectively.

“As always, NAGDCA’s goal is to keep public sector sponsors current with legislative changes that may affect their efforts to help participants maximize their retirement savings to attain a financially secure

retirement. The PRRL was created to spotlight public DC plan use—as it differs significantly from that of private DC plan use—and to use the cross-sectional data contained in the PRRL database to analyze the potential impact of legislative and other types of changes, such as DB reform, on plan participants from a variety of lenses; in this instance, age and tenure,” stated Matt Petersen, NAGDCA Executive Director. “Given the large variation in public sponsor populations, whether and how this particular facet of SECURE 2.0 legislation will be addressed will vary according to sponsor preferences. That said, given the enlarged portion of participants that could possibly be impacted, it’s important that sponsors carefully think through its ramifications.”

This Fast Fact, including graphic representation of the findings, may be accessed [here](#).

About the PRRL

The Public Retirement Research Lab is a retirement industry-sponsored collaborative effort of the Employee Benefit Research Institute (<https://www.ebri.org/>) and the National Association of Government Defined Contribution Administrators (<https://www.nagdca.org/>). The PRRL mines data from the PRRL Database, the first-ever database specific to public sector plan- and participant-level defined contribution data, to produce research aimed at enhancing understanding of the design and utilization of public sector defined contribution retirement plans. To learn more, visit www.prrl.org.

#

Media Contacts

EBRI
Ron Dresner
860.305.7728
dresner@ebri.org

OR

NAGDCA
Robin Schoen
215.595.7542
rschoen@robinschoenpr.com