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# SECURE 2.0: New Emergency Savings Options

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We continue our series highlighting portions of SECURE 2.0 by looking at a new, optional plan feature that may be attractive to clients interested in helping their employees save for small emergency expenses: pension-linked emergency savings accounts ("PLESAs").

**What's a PLESA and why would clients want to add one to their plan?** Surveys routinely show that emergency savings is a major concern for employees. By some estimates, nearly 60% of adults in the U.S. are uncomfortable with the amount in their emergency savings. Nearly 25% have no savings at all, and less than 45% would be able to pay for a $1,000 emergency without going into debt. Clients may see PLESAs as a possible solution: authorizing an automatic emergency savings program within their existing retirement plans.

PLESAs can only be offered in defined contribution plans. They are intended as short-term savings accounts for eligible participants. PLESAs must meet certain design requirements set out in SECURE 2.0, may only accept participant contributions, and must treat such contributions as designated Roth contributions. PLESAs may be added for plan years beginning after December 31, 2023.

**Who's eligible?** Only non-highly compensated employees are allowed to contribute to a PLESA. If a non-highly compensated employee who contributed to a PLESA becomes a highly compensated employee, contributions to the PLESA must stop, but the individual will still be able to take withdrawals from that account in the same manner as before. Plan sponsors may — though are not required — to implement automatic enrollment for this optional feature.

**Are there any account limitations, administratively?** Yes. Plan sponsors may not set a minimum contribution or require a minimum account balance in the PLESA. The PLESA account must be capped at $2,500 (indexed annually after 2024), although the plan sponsor can apply a lower limit. Once the account reaches that cap, contributions must stop. This will require coordination between the recordkeeper and payroll provider because it is based on the account balance, not just annual contributions. In addition, contributions to the PLESA must be coordinated with regular deferrals to the plan to ensure the combined total does not exceed the Code Section 402(g) deferral limit.

**How does this coordinate with employer matching contributions?** If a plan provides for matching contributions, then PLESA contributions must be matched at the same rate. Matching contributions will be added to the plan's regular match account, not the PLESA (which can hold only participant contributions). IRS is directed to issue guidance on ways that plans can ensure this matching requirement is not abused (because participants theoretically could contribute, get a match, and then immediately withdraw the PLESA contribution — resulting in a match on effectively no deferrals).

**Are there limits on withdrawals?** Not really. Consistent with intent to create a short-term savings account, the law requires plans to permit participant withdrawals at least once per calendar month. In addition, the first four withdrawals in a plan year cannot be subject to fees or charges.

These PLESAs create interesting opportunities as well as administrative challenges. Not all recordkeepers are currently intending to offer this option. If your client is interested in the PLESA, you will need to work with a competent TPA and recordkeeper that offers the option, so now is great time to coordinate with your TPA partner if you have clients interested in adding a PLESA!

## Reminders

- **October 16, 2023:** Deadline for filing Form 5500 for plans that have extended their deadline using Form 5558.
- **October 16, 2023:** For defined benefit plans: deadline for filing PBGC premiums and deadline for making the third 2023 minimum funding quarterly installment payment.
- **November 14, 2023:** For participant-directed defined contribution plans: deadline to provide quarterly benefit statement and statement of fees charged to account during 3rd quarter.