CITY OF NOVI
Administrative ePacket
June 29, 2023

Public Safety (Police/Fire)

Infrastructure (Roads/Water/Sewer)

RCOC Biennial Strategic Planning and Agency Coordination - Herczeg

Economic Development (City Revenue/Job Growth)

Citizen-Focused Government (Shared Services/Customer Services)

Multifamily Market Information - Ziozios

Natural Areas & Features and Community Character (Community that Preserves)

Fiscally Responsible Government (Maintain)

SECURE Act 2.0 Update - Johnson

Parks, Recreation & Cultural Services (Enhance Services)

Capital Improvement Program

City Council Only or Confidential

MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: JEFFREY HERCZEG, DIRECTOR OF PUBLIC WORKS

SUBJECT: RCOC BIENNIAL STRATEGIC PLANNING AND AGENCY COORDINATION

DATE: JUNE 29, 2023

On June 6, 2023, city staff met with the Road Commission for Oakland County (RCOC) executive team for Novi's biennial Strategic Planning Meeting (summary attached). Discussions included:

<u>Progress on RCOC Road Projects:</u>

10 Mile Road Rehabilitation and Improvements, Meadowbrook Road to Haggerty Road
Project includes removal and replacement of two culverts under the road addition of a continuous left turn lane, repairs to curb and gutter, sidewalk improvements, traffic signal upgrades and watermain replacement. Progress is ahead of schedule and is expected to be completed by late summer.

Novi Road Rehabilitation, 9 Mile Road to 10 Mile Road
Removal and replacement of three culverts under Novi Road extension of center left-turn lane between Nick Lidstrom Dr. and Little Falls Blvd, paving/drainage/pedestrian improvements, and traffic signal upgrades. Road construction has begun and is expected to be substantially complete by fall.

<u>Novi Transportation Priorities</u>

1. **Short Range - 12 Mile Road Widening, Beck Road to Dixon**
   In preliminary Engineering and Right-of-Way Acquisition (2024)
2. **Long Range - Beck Road Widening, 8 Mile to Grand River**
   In Environmental Assessment Process
3. **Long Range - 8 Mile Road, Center Street to I-275**
   Address pavement conditions beyond pavement preservation overlay projects
4. **Long Range - 10 Mile Road Widening, Napier Road to Haggerty Road**
   Identified in 2019 Scoping Study for selective operational improvements

<u>RCOC Program Updates</u>
Presentation summary with interactive maps and slides shown during the meeting can be viewed: here

With the unusual amount of construction in 2023, public perception regarding communication between units and jurisdictions is often questioned. Staff attends the following coordination meetings:

Oakland County Federal Aid Committee (Cities, Villages, Townships)

- Meets quarterly and awards federal funding with fiscal year obligations. Projects can be accelerated or delayed by CVT's voting consensus.

Michigan Department of Transportation (MDOT) Coordination Oakland County Transportation Service Center (TSC)

- Biannual (fall and spring) Regional Coordination. All jurisdictions are invited to participate in the meeting.

RCOC Strategic Planning (Novi, Northville, RCOC)

- Biennial (every other year), discussed herein.

The overlapping construction in 2023 was the result of several ongoing factors impacting road construction including:

- Delays in project start dates on both RCOC projects (10 Mile and Novi Road) caused by supply chain issues and EGLE restrictions for working in waterways (both projects were scheduled for 2022 construction)
- Fiscal year obligation for Novi limited options to prevent projects overlapping in construction years
- Additional funding for MDOT (96 Flex Route and Rebuild I-696) accelerated project scopes and timelines
- Delayed start and ongoing Great Lakes Water Authority regional redundancy project

While the short-term disruption to Novi is currently exasperated by the above projects, the hundreds of millions of dollars invested in the regional infrastructure is overdue and ultimately a significant benefit to Novi.

MEMORANDUM

CITY OF NOVI
cityofnovi.org

TO: VICTOR CARDENAS, CITY MANAGER
FROM: JAN ZIOZIOS, DEPUTY ASSESSOR
SUBJECT: MULTIFAMILY MARKET INFORMATION
DATE: JUNE 28, 2023

The following information pertaining to the Novi/Farmington Hills Multifamily submarket is compiled from Costar and reports from Integra Realty Resources (appraisal firm) and Berkadia (multifamily brokerage). I've included data that focuses on supply, demand, rents, vacancy, new construction, and absorption.

Midway through 2023, the Farmington Hills/Novi Submarket has just over 17,000 units in inventory worth $2.7 billion, the third-highest asset value within the Detroit market. Demand has softened over the past year and is sitting below the three-year average, resulting in vacancy rising from a multi-year low of 2% during 21Q1 to 5.4% as of 23Q2, which is still below the broader Detroit area market average of 7%.

Rents have steadily risen over the past several years, with annual growth of 0.5% as of 23Q2. The average rent of $1,450/month is slightly above this submarket's three-year average of $1,360/month. Units in 4- & 5-Star properties command a premium within this submarket, averaging $1,960/month.

Residences at Sakura – 117 units
Innova – 272 units
Stonefield (F. Hills) – 202 units

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	1,289	2.6%	$1,982	$1,974	27	0	117
3 Star	9,924	6.6%	$1,486	$1,478	(1)	0	474
1 & 2 Star	6,035	4.2%	$1,298	$1,293	26	0	0
Submarket	**17,248**	**5.4%**	**$1,459**	**$1,451**	**52**	**0**	**591**

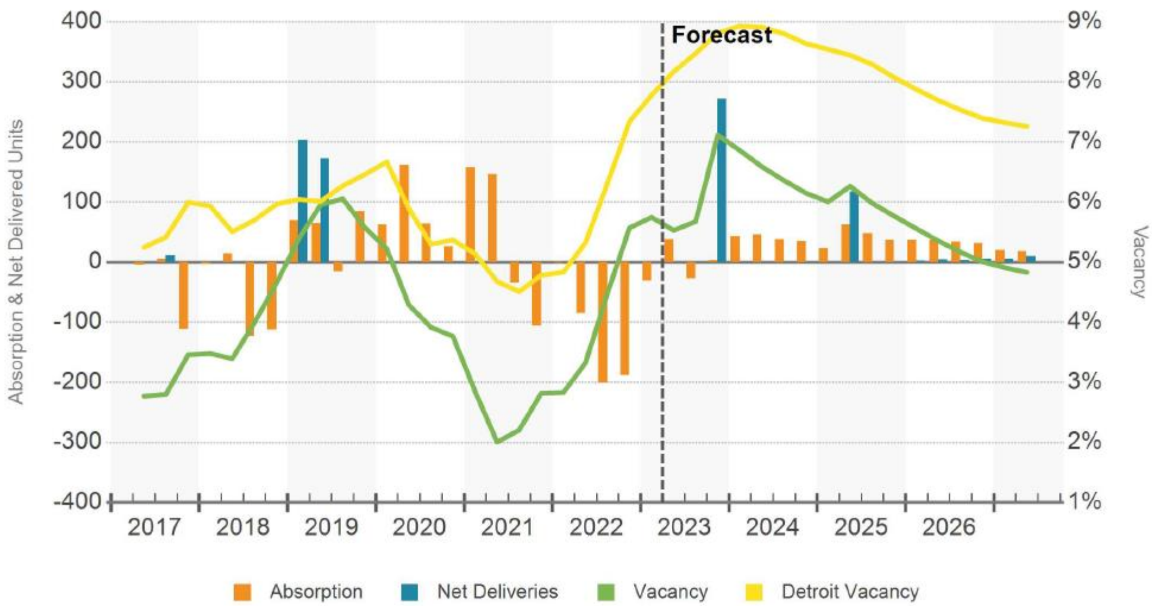
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.2%	4.1%	5.7%	6.1%	2019 Q3	2.0%	2021 Q2
Absorption Units	(372)	22	76	408	2021 Q1	(504)	2023 Q1
Delivered Units	0	49	86	643	2004 Q2	0	2023 Q1
Demolished Units	0	1	8	24	2019 Q2	0	2023 Q1
Asking Rent Growth (YOY)	-0.3%	1.9%	3.7%	12.5%	2021 Q4	-3.4%	2009 Q3
Effective Rent Growth (YOY)	-0.5%	1.9%	3.6%	12.9%	2021 Q4	-3.4%	2009 Q3
Sales Volume	$55.9M	$35.8M	N/A	$355.8M	2022 Q2	$0	2020 Q3

Average vacancy over the past 12 months has been 2.2%, down from this historical average of 4.1%. The near term forecast is 5.7%, as the market anticipates the new construction deliveries at Innova, Stonefield and Residences at Sakura. Some vacancy is necessary in a balanced market, known as "frictional vacancy", which is typically modeled by analysts at 4% to 5%, but can vary per market. Frictional vacancy permits normal turnover, and space for landlords to refresh units for the next tenants. In the table below, anticipated deliveries are shown in 4th Q 2023, temporarily spiking the vacancy rate as the units are forecasted to absorb over 2024. The vacancy rate is anticipated to drop below 5% again at the end of 2026. The overall Metro Detroit market is shown in yellow, for comparison.

Vacancy

Farmington Hills/Novi Multi-Family

ABSORPTION, NET DELIVERIES & VACANCY



Construction

Farmington Hills/Novi Multi-Family

UNDER CONSTRUCTION

	Property Name/Address	Rating	Units	Stories	Start	Complete	Developer/Owner
1	Innova 39500 Champion Cir	★★★☆☆	272	3	Aug 2022	Oct 2023	BEZTAK Properties -
2	Stonefield 32681 Northwestern Hwy	★★★☆☆	202	5	Jun 2023	Dec 2024	Asmar Companies -
3	The Residences at Sakur... 42750 Grand River Ave	★★★★☆	117	3	Mar 2023	Dec 2024	Robertson Brothers Homes Sakura Novi Llc

OVERALL VACANCY & RENT

	Vacancy			Market Rent				Effective Rents	
Year	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg	Units	Per SF
2027	827	4.7%	(0.3)	$1,700	$1.65	4.6%	(0.9)	$1,689	$1.64
2026	882	5.0%	(0.8)	$1,624	$1.58	5.5%	0.8	$1,614	$1.57
2025	1,016	5.8%	(0.4)	$1,539	$1.50	4.8%	1.5	$1,529	$1.49
2024	1,076	6.1%	(1.0)	$1,469	$1.43	3.3%	2.1	$1,460	$1.42
2023	1,246	7.1%	1.5	$1,423	$1.38	1.2%	(1.0)	$1,414	$1.37
YTD	940	5.4%	(0.1)	$1,459	$1.42	-0.3%	(2.4)	$1,451	$1.41
2022	961	5.6%	2.8	$1,406	$1.37	2.2%	(10.4)	$1,399	$1.36
2021	486	2.8%	(0.9)	$1,377	$1.34	12.5%	10.7	$1,373	$1.33
2020	649	3.8%	(1.8)	$1,224	$1.19	1.8%	(1.5)	$1,216	$1.18
2019	962	5.6%	0.9	$1,202	$1.17	3.3%	(0.2)	$1,191	$1.16
2018	784	4.6%	1.2	$1,163	$1.13	3.5%	0.8	$1,148	$1.12
2017	584	3.5%	0.6	$1,124	$1.09	2.8%	(0.6)	$1,111	$1.08
2016	489	2.9%	0.1	$1,093	$1.06	3.4%	(1.7)	$1,083	$1.05
2015	464	2.7%	(1.5)	$1,058	$1.03	5.1%	2.9	$1,050	$1.02
2014	722	4.3%	0.2	$1,006	$0.98	2.2%	(1.0)	$984	$0.96
2013	692	4.1%	0	$985	$0.96	3.2%	0.3	$966	$0.94

OVERALL SUPPLY & DEMAND

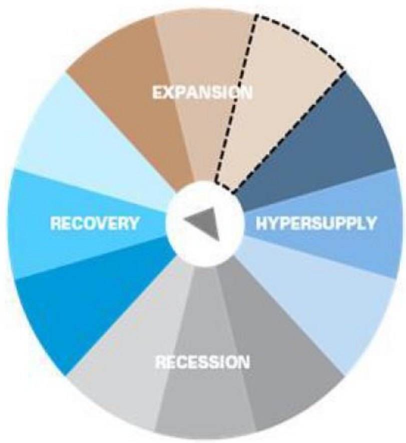
	Inventory			Absorption		
Year	Units	Growth	% Growth	Units	% of Inv	Construction Ratio
2027	17,640	19	0.1%	74	0.4%	0.3
2026	17,621	4	0%	140	0.8%	0
2025	17,617	109	0.6%	169	1.0%	0.6
2024	17,508	(8)	0%	162	0.9%	0
2023	17,516	268	1.6%	(17)	-0.1%	-
YTD	17,248	0	0%	22	0.1%	0
2022	17,248	0	0%	(476)	-2.8%	0
2021	17,248	0	0%	163	0.9%	0
2020	17,248	0	0%	313	1.8%	0
2019	17,248	375	2.2%	203	1.2%	1.8
2018	16,873	(24)	-0.1%	(224)	-1.3%	0.1
2017	16,897	11	0.1%	(84)	-0.5%	-
2016	16,886	0	0%	(26)	-0.2%	0
2015	16,886	0	0%	260	1.5%	0
2014	16,886	0	0%	(30)	-0.2%	0
2013	16,886	0	0%	2	0%	0

Overall Detroit Multifamily Market Overview (Integra Realty Resources)
Over the past 12 months the Detroit market has experienced strong rental growth with most communities having rent growth in the 5% to 10% range while vacancy has remained below 5% overall. This region has benefitted from improved economic conditions such as a solid automotive industry, a diversifying economy, and an expanding workforce. Multifamily developers continue to bring new inventory to the marketplace; however, the overall pace of construction is considered modest when compared to development activity in other regions in the U.S. With robust demand for multifamily properties in Michigan, the average per unit sale price has substantially increased in recent years, and strong competition for properties has supported a trend of decreasing capitalization rates. Overall, multifamily will continue to be in demand by

investors and financial operations will benefit from low vacancy, rising rental rates, limited concessions and modest new development. Furthermore, Michigan is viewed as one of the more affordable regions for housing in the U.S., when comparing the ratio of household income allocated to housing expenses.

Integra views the metro Detroit economy to be in late cycle expansion.

Market Cycle: Expansion Stage 3



- Med/High Rental Rate Growth
- High Absorption
- Moderate/High New Construction
- Decreasing Vacancy Rates
- Moderate/High Employment Growth

Metro Detroit Multifamily Overview - Berkadia 2023 Forecast

Manufacturers are poised to invest $11.1b and fill 9,200 jobs to reinforce apartment fundamentals. Job growth and the gradual return to a pre-pandemic work environment in the Detroit metro area are expected to reinforce apartment fundamentals in 2023. Rocket Companies, Inc., Ford Motor Company and DTE Energy are some of the local companies transitioning to a hybrid office/remote working arrangement with their employees. The return-to-office trend coincides with a concentration of apartment deliveries in 2023 near employment hubs in the urban core and suburbs in Oakland County.

Of the 1,931 apartment units scheduled for completion in 2023, two-thirds of the apartments will come online in the Downtown/Midtown/Rivertown submarkets and in the Troy/Rochester Hills submarket in Oakland County. The new, amenity-rich apartments in these submarkets will draw renters, resulting in robust leasing activity that supports the metro wide net absorption of 785 units. Apartment occupancy in the metro area is forecasted to be 95.8% by year-end 2023. IN 2023, the first phase of the 171-acre Romulus Trade Center mixed-use development will support 1,000 jobs. Over the next several years, Ford Motor Company, General Motors, Magna International and **Our Next Energy** will invest a combined $11.1 billion in new facilities, expansions, retooling, resulting in an aggregate addition of over 9,200 jobs in the Detroit metro area.

MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: CARL JOHNSON, FINANCE DIRECTOR

SUBJECT: SECURE ACT 2.0 UPDATE

DATE: JUNE 27, 2023

Over the past month or two I have had several questions about the new SECURE Act 2.0 and what impact, if any, it has on the City's pension and 457 plans. After follow-up with MERS and attending several webinars, I wanted to share a summary of the information I have learned about the Act. The purpose of this memorandum is to provide an overview of the SECURE Act 2.0 and its impact on the City and its employees.

Overview

The original SECURE (Setting Every Community Up for Retirement Enhancement) Act from December 2019 was created to respond to the growing concern about the inadequacy of individual retirement savings. SECURE Act 2.0 signed December 29, 2022, builds upon these retirement related provisions. The City of Novi provides pension benefits to eligible employees through MERS using 401(a) defined contribution and defined benefit pension plans. The City also offers a voluntary ROTH IRA and 457(b) Deferred Compensation plan through Mission Square. The good news for the City is that the Act has no direct financial impact on the City. The additional administrative burden on MERS and Mission Square may result in future administrative cost increases but the impact should be minimal.

As stated above, the purpose of the Act is to address the concern of inadequate individual retirement savings accounts and, as such, the Act primarily addresses additional ways individuals can put more into their retirement accounts and keep it there longer. The following are some of the key changes:

- The Act delays the requirement of taking mandatory minimum distributions from age 72 to 75
- Allows for contributions into 457(b) plans at any time during the month rather than "first day on the month" only
- Provides for higher "catch-up" contributions limits for those age 60-63
- Public safety officers allowed to exclude $3,000 of retirement distributions if used for health insurance premiums
- Several new penalty waivers (10% early distribution penalty) available

Summary

MERS and Mission Square are aware of the new SECURE Act 2.0 requirements and are ensuring the City properly implements them along with ensuring our employees get any entitled benefits from the changes. Attached is a summary prepared by MERS of all the applicable changes for your reference and all employees have been encouraged to discuss any of these with the City's Human Resource Department or directly with MERS.

Municipal Employees' Retirement System

SECURE Act 2.0

Given the importance of retirement plans, it is essential that laws and regulations governing them keep up with the evolving challenges workers and employers face. Many are feeling the economic impact of a global pandemic, inflation and fluctuating market conditions, while trying to balance today's financial needs with planning for decades into retirement.

SECURE 2.0 was signed into law at the end of 2022. The law has roughly 90 separate provisions, each with its own effective date, and not all provisions affect MERS plans. The law aims to improve retirement outcomes by increasing access to retirement plans, growing and preserving savings and helping Americans manage financial priorities so they can achieve long-term financial security.

Based on our experience with the original SECURE Act, we anticipate the IRS may release future guidance or technical information to help with the implementation of these changes. The following is a summary of the changes. Please note that, as the plan fiduciary and your partner in retirement, MERS will ensure any required administrative or policy changes related to the plans we administer are implemented as required.

SECURE 2.0 Changes

Change/Overview	Why	Type of MERS Plan(s) Impacted
Required minimum distribution (RMD) ages Increases the required minimum distribution (RMD) age from 72 to 73 for individuals who attain age 72 after January 1, 2023, and age 73 before January 1, 2033. Further, there is a subsequent increase to age 75 for any individual who did not attain age 74 prior to January 1, 2024. These increases also apply to surviving spouse distributions. Here is a summary of the provision: • For employees who turned age 72 before 2023, the applicable age is age 72 (or age 70½ if they were born before July 1, 1949) • For employees who will turn age 72 after 2022 and age 73 before 2033, the applicable age now is age 73 • For employees who will turn age 74 after 2032, the applicable age now is age 75 **Effective for RMDs made after 2022 for participants who turn age 72 after 2022** *NOTE: An issue was identified related to new RMD rules for those born in 1959. The IRS is working on clarification.*	Helps participants **preserve retirement savings longer**. RMDs are designed to ensure individuals use retirement savings in retirement, reducing the amount of money that could be transferred to beneficiaries.	• 401(a) defined contribution • 401(a) defined benefit • 457(b) • IRA

Change/Overview	Why	Type of MERS Plan(s) Impacted
Reduction in excise tax on RMDs Reduces the penalty for failure to take an RMD from 50% to 25%. Further, if a failure to take an RMD from an IRA is corrected in a timely manner, as defined under SECURE 2.0, the excise tax on the failure is further reduced from 25% to 10%. **Effective for taxable years beginning after 12/29/2022**	Reduces the penalty to participants when failing to take an RMD, thereby helping them **preserve retirement savings longer**	• 401(a) defined contribution • 401(a) defined benefit • 457(b) • IRA
Elimination of the "first day of the month" requirement for elections to defer compensation from governmental 457(b) plans Under current law, participants in a governmental 457(b) plan must request changes to their deferral rate prior to the beginning of the month in which the deferral will be made. This rule does not exist for other defined contribution plans. Now, such elections can be made at any time prior to the date that the compensation being deferred is available. **Effective for taxable years beginning after 12/29/2022**	**Aligns** governmental 457(b) plans with 401(k) and 403(b) plans	• 457(b)
Public safety officer health insurance Previous law provided the opportunity for public safety officers to exclude $3,000 from gross income for a direct payment for health insurance premiums from a governmental retirement plan. With SECURE 2.0, insurance premium payments no longer need to be paid directly from the retirement plan to qualify for the tax exemption. **Effective for distributions after 12/29/2022**	Makes it **easier** for public safety officers to utilize this provision	• 401(a) defined contribution • 401(a) defined benefit • 457(b)
Higher catch-up limit Under current law, employees age 50 or older in 2023 are permitted to make catch-up contributions of $7,500 in excess of otherwise applicable annual limits. SECURE 2.0 creates an additional "tier" of catch-up contributions for individuals who are ages 60-63. Such individuals will have an increased catch-up limit of $10,000 or 150% of the regular catch-up amount, whichever is greater. The increased amounts are indexed for inflation after 2025. Like all catch-up contributions, this provision is permissive, not mandatory. **Effective for taxable years beginning after 12/31/2024**	Helps participants **increase retirement savings**	• 457(b)

Change/Overview	Why	Type of MERS Plan(s) Impacted
Repayment of qualified birth or adoption distribution SECURE 2.0 includes a provision that allows individuals to receive distributions from their retirement plan in the case of birth or adoption without paying the 10% additional tax. Distributions can be repaid to a retirement plan or IRA and are treated as timely rollovers. SECURE 2.0 now restricts the re-contribution period to three years. **Effective to distributions made after 12/29/2022 and retroactively to the three-year period beginning on the day after the date on which such distribution was received**	**Protects the tax benefit** to participants when they repay the distribution	• 401(a) defined contribution • 457(b) • IRA
Employer may rely on participant certifying that deemed hardship/ unforeseeable emergency distribution conditions are met Provides that, under certain circumstances, participants are permitted to self-certify that they had an event that constitutes an unforeseeable emergency for purposes of an unforeseeable emergency distribution from the 457(b) plan. Plans are permitted to rely on the participant's written self-certification that: (i) the circumstances for the hardship exist (ii) the amount requested is not in excess of the amount required to satisfy the financial need, and (iii) the participant has no alternative reasonably available means to satisfy such need Reliance on self-certification is not permitted if the plan administrator has actual knowledge that is contrary to the participant's certification. **Effective for plan years beginning after 12/29/2022**	Makes it **easier** for participants to use this provision	• 457(b)
Designated Roth account distribution rules Under current law, required minimum distributions are not required to begin prior to the death of the owner of a Roth IRA. However, pre-death distributions are required in the case of the owner of a Roth designated account in an employer retirement plan (such as the MERS 457(b) Plan). The pre-death distribution requirement for Roth accounts in employer plans is eliminated, effective for taxable years beginning after December 31, 2023. This does not apply to distributions which are required with respect to years beginning before January 1, 2024, but are permitted to be paid on or after such date. **Effective for taxable years beginning after 2023, but not applicable to RMDs required for years beginning before 2024**	Allows participants to **preserve retirement account balances**	• 457(b)

Change/Overview	Why	Type of MERS Plan(s) Impacted
Surviving spouse election to be treated as employee Allows a surviving spouse to elect to be treated as the deceased employee for purposes of the required minimum distribution rules. Making such an election would provide the following benefits to the surviving spouse: • RMDs for the surviving spouse would be delayed until the deceased spouse would have reached the age at which RMDs begin; • Once RMDs are necessary (the year the decedent would have reached RMD age, had they lived), the surviving spouse will calculate RMDs using the Uniform Lifetime Table that is used by account owners, rather than the Single Lifetime Table that applies to beneficiaries; and • If the surviving spouse dies before RMDs begin, the surviving spouse's beneficiaries will be treated as though they were the original beneficiaries of the account (which would allow any eligible designated beneficiaries to "stretch" distributions over their life expectancy instead of using the 10-year rule that would otherwise apply). **Effective for calendar years after 2023**	The spouse may elect to defer RMD to a later date and have RMD calculated under a **potentially more favorable life expectancy table**	• 401(a) defined contribution • 401(a) defined benefit • 457(b) • IRA
Modification of required minimum distribution rules for special needs trusts SECURE 2.0 places limits on the ability of beneficiaries of defined contribution retirement plans and IRAs to receive lifetime distributions after the account owner's death. Special rules apply in the case of certain beneficiaries, such as those with a disability. In the case of a special needs trust established for a beneficiary with a disability, the trust may provide for a charitable organization as the remainder beneficiary. **Effective for calendar years beginning after 12/29/2022**	Helps participants **manage financial priorities** so they can achieve long-term financial security	• 401(a) defined contribution • 457(b) • IRA

Change/Overview	Why	Type of MERS Plan(s) Impacted
Catch-up contributions on Roth basis Under current law, catch-up contributions to a qualified retirement plan can be made on a pre-tax or Roth basis (if permitted by the employer). SECURE 2.0 provides that, for employees with previous year annual compensation of more than $145,000 (indexed), all catch-up contributions to qualified retirement plans must be remitted on a Roth (post-tax) basis, effective for taxable years beginning after December 31, 2023. Although it might appear to impact only participants who made more than $145,000 last year, there is one very important aspect of this that could affect every participant. If the plan has any participant of any age who made more than $145,000, and the plan does not have a designated Roth account available, then the catch-up provisions are completely inapplicable to the employer – that is, no participant of that employer will be allowed to make a catch-up contribution. **Effective for taxable years beginning after 12/31/2023**	**Allows more contributions** to be made on a Roth (post-tax) basis	• 457(b)
Optional treatment of employer matching or non-elective contributions as Roth contributions Allows participants in account-based plans, including governmental 457(b) plans, to designate employer-matching contributions as Roth contributions, and plans to deposit matching and/or nonelective contributions to employees' designated Roth accounts as Roth contributions. Such amounts will be included in the employee's income in the year of contribution, and must be non-forfeitable (i.e., not subject to a vesting schedule). **Effective for contributions made after 12/29/2022**	Creates plan design incentive for employers and **allows more contributions** to be made on a Roth (post-tax) basis	• 457(b)
Treatment of student loan payments as elective deferrals for purposes of matching contributions Allows employees to receive matching contributions by reason of repaying their student loans. It permits an employer to make matching contributions with respect to "qualified student loan payments." A qualified student loan payment is broadly defined as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee. The employer matching contributions may be made pre-tax or on a Roth basis. **Effective for plan years beginning after 2023**	Creates plan design incentive for employers and helps participants **manage financial priorities** so they can achieve long-term financial security	• 401(a) defined contribution • 457(b)

Change/Overview	Why	Type of MERS Plan(s) Impacted
Withdrawals for certain emergency expenses Generally, an additional 10% tax penalty applies to early distributions from tax-deferred retirement accounts, unless an exception applies. A new exception is established for certain distributions used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses. Employees may provide written self-certification that they meet this standard. Only one distribution is permissible per year of up to $1,000 (or their vested balance, if less). Restrictions apply to subsequent distributions. All or a portion of the distribution may be repaid within three years, under the same rules that apply to qualified birth or adoption distributions. This distribution is not an eligible rollover distribution, and it may not be rolled over, nor is it subject to the mandatory 20% withholding requirements. **Effective for distributions made after 12/31/2023**	Helps participants **manage financial priorities** so they can achieve long-term financial security	• 401(a) defined contribution • 457(b) • IRA
Penalty-free withdrawal from retirement plans for individual case of domestic abuse Permits a plan to provide that victims of domestic abuse can withdraw up to the lesser of $10,000 (indexed for inflation) or 50% of their vested balance without incurring a 10% early distribution penalty. To qualify, the distribution must be made within the one-year period after an individual has become a victim of such abuse. All or a portion of the distribution may be repaid within three years, under the same rules that apply to qualified birth or adoption distributions. For qualified defined contribution pension plans like the MERS Defined Contribution Plan, the distribution cannot be an in-service distribution basis on its own – the participant must be eligible for a distribution on another existing basis. The distribution is not an eligible rollover distribution; it may not be rolled over and it is not subject to the mandatory 20% withholding requirements. **Effective for distributions made after 2023**	Helps participants **manage financial priorities** so they can achieve long-term financial security	• 401(a) defined contribution • 457(b) • IRA

Change/Overview	Why	Type of MERS Plan(s) Impacted
Exception to 10% early distribution penalty and expanded access to plan loans for plan participants in disaster areas Allows up to $22,000 to be distributed from employer retirement plans or IRAs for affected individuals. Such distributions, called "Qualified Disaster Recovery Distributions," are not subject to the 10% early distribution penalty, and the individual may include the distribution in their gross income over three years. The individual may repay this amount in the same manner applicable to qualified birth or adoption distributions. To qualify for such distributions, an individual must have their principal place of abode within a federally declared disaster area, and they must generally take their distribution within 180 days of the disaster. These distributions are not eligible rollover distributions and are exempt from the 20% mandatory withholding. Additionally, amounts distributed prior to the disaster to purchase a home can be re-contributed, and an employer is permitted to provide for a larger amount to be borrowed from a plan by affected individuals and for additional time for repayment of plan loans owed by affected individuals. Loans of up to 100% of a participant's vested balance (which are normally limited to the greater of $10,000 or 50% of the participant's vested balance) are permitted, up to a maximum of $100,000 (normally limited to $50,000). In addition, repayment dates for certain payments may be delayed for one year. These loans must be taken within 180 days following the disaster to qualify for these terms. **Effective for disasters occurring on or after 1/26/2021**	Provides participants with **access to retirement funds** for disaster recovery use without incurring a 10% tax penalty	• 401(a) defined contribution • 457(b) • IRA

Change/Overview	Why	Type of MERS Plan(s) Impacted
Distributions for qualified long-term care insurance Allows qualified plans and governmental 457(b) plans to provide an annual "Qualified Long-Term Care Distribution" of up to the lesser of the amount of the premium, 10% of the present value of the non-forfeitable accrued benefit, or $2,500 (adjusted for inflation) to pay for long-term care insurance for the participant or (if the participant and spouse file a joint tax return) the participant's spouse. The distribution will require the following: • The participant must have either paid, or have been assessed, long-term care insurance premiums equal to or greater than their distribution in the year the distribution is made, and • They must provide the plan with a "Long-Term Care Premium Statement" containing details, such as the name and Tax ID number of the insurance company, identification of the account owner as the owner of the long-term care insurance, a statement that the coverage is certified long-term care insurance, the premiums owed for the calendar year, and the name of the insured individual and their relationship to the retirement account owner A qualified long-term care distribution is exempt from the 10% early distribution penalty, and it is not an eligible rollover distribution – it may not be rolled over and it is not subject to 20% mandatory withholding. **Effective after 12/29/2025**	Helps participants **manage financial priorities** so they can achieve long-term financial security	• 401(a) defined contribution • 457(b) • IRA
Saver's Match Current law provides for a nonrefundable credit (the "Saver's Credit") for certain individuals who make contributions to individual retirement accounts, employer retirement plans (including 457(b) plans and qualified plans), and other vehicles. This will be repealed and replaced with respect to IRA and retirement plan contributions, changing it from a credit paid in cash as part of a tax refund into a federal matching contribution that must be deposited into a taxpayer's IRA or retirement plan ("Saver's Match"). The match is 50% of IRA or retirement plan contributions up to $2,000 per individual. The match phases out between $41,000 and $71,000 in the case of taxpayers filing a joint return ($20,500 to $35,500 for single taxpayers and married filing separate; $30,750 to $53,250 for head of household filers). **Effective for taxable years beginning after 12/31/2026**	Ensures **all participants**, regardless of income, benefit from the Saver's Match and requires the match to be invested for retirement	• 457(b) • IRA

Change/Overview	Why	Type of MERS Plan(s) Impacted
New Roth IRA rollover option for certain distributions from long-term qualified tuition programs Allows for tax and penalty-free direct trustee-to-trustee rollovers from 529 accounts to Roth IRAs, under certain conditions. Beneficiaries of 529 college savings accounts would be permitted to rollover assets from any 529 account in their name to their Roth IRA. These rollovers are subject to Roth IRA annual contribution limits, and the 529 account must have been open for more than 15 years. The rollover is subject to the requirement that the designated beneficiary/Roth IRA owner have includible compensation at least equal to the amount of the rollover. However, although individuals are generally prohibited from making regular Roth IRA contributions once their modified adjusted gross income (MAGI) exceeds an applicable threshold, transfers of funds from 529 plans to Roth IRAs will not be subject to the same income limitations. Permitted rollovers would be limited to (1) the aggregate amount of contributions to the account (and earnings thereon) before the five-year period ending on the date of rollover, and (2) a lifetime limit of $35,000. **Effective with respect to distributions after 12/31/2023**	Allows unused assets in a 529 plan to be **used for retirement savings**	• Roth IRA
Exception to penalty on early distribution for individuals with a terminal illness Creates a new 10% early distribution penalty exception for individuals who are terminally ill. For purposes of this exception, the individual is deemed to be "terminally ill" if they have "been certified by a physician as having an illness or physical condition which can reasonably be expected to result in death in 84 months or less." Except for distributions from defined benefit plans, such distributions may be repaid within three years in the same manner as qualified birth or adoption distributions. **Effective for distributions made after 12/29/2022**	Provides **terminally ill** participants with access to retirement funds without incurring a 10% tax penalty	• 401(a) defined contribution • 457(b) • IRA
Exclusion of certain disability-related first responder payments Under current law, a retiree's duty-disability benefit that is excluded from income under the Internal Revenue Code Section 104(a) loses its tax exemption at normal retirement age if, under the plan, the disability benefit converts to a normal retirement benefit. Under SECURE 2.0, for certain first responders, the service-connected disability benefit retains its tax exemption even if the benefit converts to a normal retirement benefit. Qualifying first responders are defined as law enforcement officers, firefighters, paramedics and emergency medical technicians who receive service-connected disability and retirement pensions. **Effective for plan years beginning after 2026**	Provides income tax relief for certain **disabled first responders**	• 401(a) defined contribution • 401(a) defined benefit • 457(b)