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Employee Benefits Alert

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Upcoming deadline for tax-exempt 457(b) plan sponsors

By Kelly Hathorn

Tax-exempt 457(b) plans must adopt amendments by Dec. 31, 2025—early action is key to compliance.



What's the impact?

- Tax-exempt sponsors must amend 457(b) plans by the December 31, 2025, deadline to comply with SECURE Act and SECURE 2.0—no extensions apply.
- RMD age increases, beneficiary rules, and automatic cash-out maximums may require updates; sponsors should align documents and operations now to avoid issues.

Tax-exempt employers who sponsor calendar-year 457(b) nonqualified deferred compensation plans must amend their plans by December 31, 2025, to comply with the Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act") and the SECURE 2.0 Act of 2022 ("SECURE 2.0").

No extension for tax-exempt plans

The IRS extended the amendment deadline to 2026 for other types of plans, and governmental plans (including governmental 457(b) plans) have until 2029 to amend for the SECURE Act and SECURE 2.0. However, tax-exempt 457(b) plans did not get an extension, so sponsors must act now.

That means tax-exempt sponsors should begin working now with their document providers and counsel to ensure timely, accurate updates. Proactive planning is important because these amendments require thoughtful integration with existing operational practices, as well as careful coordination with recordkeepers and administrative procedures to confirm that plan operations are consistent with amended terms.

Changes under the SECURE Act and SECURE 2.0

The changes under the SECURE Act and SECURE 2.0 to be addressed in the amendment, if applicable to the plan, are:

REQUIRED MINIMUM DISTRIBUTION (RMD) CHANGES

The SECURE Act increased the RMD age from 70½ to 72 after December 31, 2019, and SECURE 2.0 further increased the age to 73 for those who reach 72 after December 31, 2022 (with a further increase slated for 2033). After death, the participant's entire account must be distributed within 10 years to many non-spouse beneficiaries, although certain eligible designated beneficiaries (like surviving spouses, disabled or chronically ill individuals, minor children, and beneficiaries no more than 10 years younger than the participant) may still use the life expectancy rule.

INCREASE IN THE SMALL AMOUNT CASHOUT LIMIT

SECURE 2.0 increased the de minimis distribution limit from \$5,000 to \$7,000.

Next steps for plan sponsors

The amendment deadline applies whether the plan sponsor uses a preapproved plan document or an individually designed document. Sponsors of preapproved plan documents should reach out to their plan document providers now to receive and review the provider's drafted amendment. Those who sponsor individually designed documents should contact their plan counsel to discuss how their documents should be amended.

In navigating these requirements, sponsors should prioritize clarity, consistency, and timeliness. Early engagement reduces the risk of document/operational misalignment and avoids

bottlenecks that can complicate board approvals, vendor updates, and participant communications.

Nixon Peabody's [Employee Benefits lawyers](#) advise employers of all sizes on plan amendments, design updates, and compliance strategies under the SECURE Act and SECURE 2.0. Our team brings deep experience with 457(b) plans, including coordination with recordkeepers, audit-readiness, and practical solutions to operational questions. We partner closely with clients to deliver efficient, right-sized documentation, and implementation support, helping sponsors meet deadlines with confidence while positioning their plans for long-term administrative success.

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