

LONG-TERM PART-TIME EMPLOYEES

LAW CHANGES THAT TAKE EFFECT JANUARY 1, 2024

You have probably already been contacted by your recordkeeper or advisor or have read about this in retirement plan news, but we wanted to be sure that we have addressed this with you also.

IF YOUR PLAN CURRENTLY HAS NO EMPLOYEE EXCLUSIONS FOR EMPLOYEE DEFERRALS TO THE PLAN BASED ON HOURS WORKED OR SPECIAL EXCEPTIONS LIKE INTERNS OR SEASONAL OR PART TIME EMPLOYEES, YOU DO NOT NEED TO ACT ON THIS EMAIL.

If your plan has those types of exclusions or requires 1000 hours to be eligible to defer to the plan, you need to be aware of the new regulations effective January 1, 2024.

The SECURE Act 2.0, signed into law in December 2022, introduced significant changes to retirement plans that seek to exclude part-time employees from participating in their employer retirement plans. These changes to the regulations are expected to significantly increase the number of part-time workers who are eligible to participate in retirement savings plans. This will help to address the disparities in retirement savings between full-time and part-time workers and promote greater financial security for all workers.

How this affects your plan specifically depends on your plan eligibility that allows employees to contribute "employee deferrals" to the plan. If your plan currently allows all employees to contribute their own funds to the plan without regard to a specific number of hours worked during a specific period of time, then this will have no affect on your plan. No action is needed.

However, if your plan does have limitations on when an employee is allowed to participate in your plan, then this new regulation would affect your plan and your employees. If you require 1000 hours to be eligible to participate in the plan for employee deferrals and have part-time employees who have not been able to participate in the plan because of this regulation, the part-time employees could become eligible under the Long-Term Part-Time (LTPT) Employee regulations. If you have been excluding employees in the past based on this hours requirement or based on a label of part-time or seasonal or temporary or interns, then those employees could become eligible under the Long-Term Part-Time (LTPT) Employee regulations.

Specifically, if you have any employees who have not been or will not be eligible to participate in the plan, but they have worked more than 500 hours of service in the past 3 years, 2021, 2022 and 2023, they must be allowed to participate in the plan for employee deferrals only as of January 1, 2024.

Please contact our office if you would like to discuss this regulation and how it might affect your plan and your employees.