



SECURE 2.0

ACT OF 2022

A CLOSER LOOK: EXPANDED COVERAGE FOR LONG-TERM, PART-TIME WORKERS

When Congress passed the SECURE 2.0 Act in 2022, it spanned nearly 400 pages and included 92 provisions. So you don't need to wade through the whole document, we're highlighting key provisions that impact most retirement plans.

SECTION 125, IMPROVING COVERAGE FOR PART-TIME WORKERS

Summary of Provision: The SECURE Act of 2019 created a requirement for employers to allow long-term, part-time workers to make deferrals into their employers' 401(k) plans. The SECURE Act provision requires employers with a 401(k) plan to allow part-time employees who work at least 500 hours in each of three consecutive years of service (and who do not meet a statutory exception) to enter the plan for the purpose of making deferrals, beginning with years of service on or after January 1, 2021. The provision does not apply to collectively bargained plans.

Section 125 of SECURE 2.0 made three changes to that original rule:

- It reduces the three-year measuring period to two years, for measuring periods beginning on or after January 1, 2023
- Extends application of the rule to ERISA-covered 403(b) plans, for measuring periods beginning on or after January 1, 2023
- It limits service for vesting purposes to years beginning after 2020

Participants who enter the plan under the long-term, part-time rule must still meet the plan's regular eligibility requirements to receive employer contributions, and may be excluded from nondiscrimination testing, coverage testing, and any required top-heavy contributions.



What it means: Sponsors of ERISA-covered 403(b) plans, who were not previously affected by the original rule under the SECURE Act of 2019, will need to review their employee population to identify impacted employees. For example, employees who are not currently covered by the plan because they are not regularly scheduled to work at least 20 hours per week may be impacted. Plan sponsors will need to track hours for those employees to determine whether they may become eligible to enter the plan for deferral purposes as of the plan year that begins January 1, 2025 or thereafter, because they worked at least 500 hours in 2023 and in 2024. Sponsors of 401(k) plans that were covered by the original rule will need to allow employees to enter the plan under the revised two-year rule beginning with the 2025 plan year.



Why it matters: By amending the SECURE Act, Section 125 of SECURE 2.0 allows more part-time employees access to a workplace retirement plan.



The impact: 401(k) and 403(b) plans that have eligibility requirements which could keep long-term, part-time employees from participating will be impacted by this mandatory provision.



Effective date: Plan years beginning after December 31, 2024.

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