



# Charting Secure 2.0

<b>Provision</b>	Section 125 – Long -term, part time workers (LTPT)
<b>Effective</b>	SECURE 2.0 – January 1, 2025
<b>Mandatory</b>	Yes. Mandated for 401(k) plans and 403(b) plans subject to ERISA.
<b>Summary</b>	<p>Long-term Part-time employees (LTPT) have historically been excluded from employer plans because they do not meet an hour requirement for eligibility. Starting with the SECURE Act and expanding with SECURE 2.0, Congress has attempted to fill this void by providing much needed access. SECURE 2.0 expands and clarifies aspects of the LTPT rules created with the Secure Act of 2019.</p> <p><u>SECURE 2.0</u></p> <p>SECURE 2.0 reduces LTPT eligibility from 3 consecutive 12-month periods to 2 consecutive 12-month periods. Service period counting begins January 1, 2022 so earliest entry would be January 1, 2025.</p> <p>Eligibility to make salary deferral contributions is mandatory. Eligibility for employer contributions is optional.</p> <p>Employees who participate solely due to the LTPT rules may be excluded from certain non-discrimination testing. Service prior to 2023 is excluded for vesting.</p> <p>LTPT employees are credited with a year of vesting service for each plan year they complete 500 hours of service. SECURE 2.0 clarifies that service prior to 2021 is excluded for vesting purposes.</p> <p>SECURE 2.0 extends LTPT rules to 403(b) plans subject to ERISA.</p>
<b>Things to Consider</b>	<p>While the ability to save is a huge benefit for LTPT employees, there are operational and testing considerations to be aware of.</p> <p>Parallel eligibility and vesting schedules complicate administration.</p> <p>The plan must have practices/procedures in place to capture service hours for all employees.</p> <p>Separate vesting schedules may need to be tracked.</p>

	<p>LTPT employees would vest in employer contributions using a reduced number of hours than full-time employees.</p> <p>LTPT employees with balances will be counted for determining the plan’s audit status.</p> <p>The balances of LTPE employees will be included in the Top Heavy Determination.</p> <p>LTPT employees must be properly identified for Non-discrimination testing.</p> <p>Employers may extend employer contributions/match to LTPT employees, if desired.</p>
<p><b>Guidance Needed</b></p>	<p>Many questions remain, and guidance is still needed from Congress for operational items such as:</p> <p>How is LTPT eligibility computed with plans which use the Equivalency method rather than counting hours?</p> <p>If an employee completes a year of service – which vesting rules apply? Continue with the special vesting or move to the year of service vesting? Will that result in multiple vesting formulas?</p> <p>Will the LTPT rules override any class exclusions currently in the plan?</p>
<p><b>MVP’s Standpoint</b></p>	<p>These legislative changes offer significant benefits; however, they also introduce operational and testing complexities. Fortunately, there are options.</p> <p>Employers may decide to keep their current plan design and follow the LTPT rules for deferrals. Alternatively, Employers may amend their plans to reduce eligibility for employee deferrals to avoid the parallel eligibility and vesting of the LTPT rules and the effect on non-discrimination testing. While employer contributions are not required, Employers will also want to consider employer costs should they include LTPT employees in employer/matching contributions.</p> <p>The benefits of including LTPT employees in retirement plans are substantial, offering them the opportunity to save for their future. Employers must carefully evaluate their plan designs, demographic considerations, and administrative capabilities when deciding how to implement the LTPT rules. In the end, the goal is to provide LTPT employees with the opportunity to save for retirement while ensuring that retirement plans remain compliant with regulations.</p>

At MVP Plan Administrators, we are here to assist you every step of the way. Together, we can work toward a more secure retirement future for all employees, including long-term part-time employees.