

# Secure 2.0

Quick Take – Long Term Part Time Employees

## Long Term Part Time Employee (LTPT) Definition under the SECURE Act

- An employee who has completed **three** consecutive 12 month periods of service, with at least 500 hours but no more than 1,000 hours of service within each period
- They must be age 21 by the end of the three year period
- Please note:
  - Any service prior to 2021 is disregarded
  - If an employee has over 1,000 hours in a 12-month consecutive period, they are no longer considered an LTPT employee
- Therefore, the earliest a LTPT employee could enter a plan would be the first day of the Plan Year beginning after 12/31/2023

# Requirements for LTPT Employees

- They must be allowed to participate in the elective deferral portion of the plan
- They can continue to be excluded from:
  - Safe Harbor Contributions
  - Other employer contributions, including employer matching and nonelective (profit sharing) contributions
  - Top heavy minimums contributions
  - Top Heavy vesting requirements
  - Coverage testing
  - Nondiscrimination testing

# Special Vesting Rules

- Participants, including LTPT employees, are always 100% vested in their elective deferral portion of the plan
- For employer contributions, a LTPT employee will earn a year of service vesting credit if they work at least 500 hours during a vesting computation period
  - Service prior to 2021 is still disregarded
- Even though LTPT employees may be excluded from employer contributions, vesting credits will still accrue

# Changes SECURE 2.0 brought

- For plan years beginning after 12/31/2024, the LTPT employee rule will now apply to ERISA 403(b) plans
- *Change to the definition* - an employee who has completed **two** consecutive 12 month periods of service, with at least 500 hours but no more than 1,000 hours of service within each period

## 401(k) Example:

- If a LTPT employee who was hired on or before 2021 works at least 500hrs in the following years:
  - January 2021 – December 2021
  - January 2022 – December 2022
  - January 2023 – December 2023The LTPT employee would be eligible to make elective deferrals on 01/01/2024
- If a LTPT employee who was hired in 2023 works at least 500hrs in the following years:
  - January 2023 – December 2023
  - January 2024 – December 2024Under SECURE 2.0 the LTPT employee would be eligible to make elective deferrals on 01/01/2025

# What do Plan Sponsors need to do?

- Ensure that all employees are reported to BPAS on each census submission, including part-time employees along with their year-to-date hours.
- Consider any plan design changes that might make administration easier
  - Reduce the plans eligibility requirements to less than one year of service for all employees
  - Review class exclusions currently imposed under the plan
  - Allow all employees to participate in the elective deferral portion of the plan.

# Stay Tuned

Stay tuned for more updates on the provisions of SECURE 2.0 and the impact on your plan.