

LEGAL UPDATES

PUBLISHED: APRIL 16, 2024

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# Navigating Employer Responsibilities: SECURE 2.0 Act's Impact on Long- Term Part-Time Rules

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) introduced the Long-Term Part-Time (LTPT) rules. These rules aim to address the retirement needs of long-term part-time employees who have traditionally been excluded from employer-sponsored retirement plans. Since the enactment of the original SECURE Act, there have been notable updates under the SECURE 2.0 Act of 2022. The LTPT rules took effect for plan years beginning on or after January 1, 2024. This article outlines the LTPT rules, as they have been updated under the SECURE 2.0 Act, and the impact on 401(k) plans.

Under the LTPT rules, employers are required to permit LTPT employees who meet specific criteria to participate in making employee contributions to the plan.

The original SECURE Act defined an LTPT employee as an employee over the age of 21 who worked a minimum of 500 hours but fewer than 999 hours over three consecutive years.

Now, per the SECURE 2.0 Act update, employees who work between 500 and 1,000 hours annually and fulfill a consecutive two-year tenure requirement qualify as LTPT employees eligible for limited participation in their employer's 401(k) plan. This reduction in the consecutive year requirement significantly expands eligibility, allowing more part-time employees to access retirement savings options offered by their employers.

## What this means for you

The impact of the LTPT rules on 401(k) plans can be significant. Here's how these rules might affect you as an employer:

**Eligibility:** Ensure eligible LTPT employees are included in your 401(k) plan.

For plan years beginning in calendar year 2024, an employee becomes eligible to contribute elective deferrals to the plan if they have three consecutive 12-month periods with at least 500 hours of service in each. The eligibility determination does not include periods before January 1, 2021.

For plan years beginning in calendar year 2025 or later, an employee needs only two consecutive 12-month periods with at least 500 hours of service in each period to be allowed to participate.

**Employer contributions:** The LTPT rules do not require employer contributions for LTPT employees. However, as provided for under your plan, you may provide matching or non-elective contributions to your LTPT employees. An amendment may be needed if you wish to provide for matching or non-elective contributions for LTPT employees.

**Vesting:** If an LTPT employee transitions to normal participation, they receive one year of vesting service for each computation period in which they worked at least 500 hours prior to the change.

**Excluded class:** An employee, who would otherwise be classified as a LTPT employee, may be excluded from the plan if they belong to an excluded employee class, such as individuals under the age of 21. Familiarize yourself with your plan's classes or your plans' classes of excluded employees.

Employers should ensure their 401(k) plans comply with the updated LTPT rules. This includes working with your plan administrator and legal counsel to amend plan documents, update enrollment procedures, and revise communication strategies to accommodate the expanded pool of eligible part-time employees.

## Contact us

If you have any questions about your responsibilities under the updated rules, please contact Aly Winters, Hansen Hoss, or your Husch Blackwell attorney.