

SECURE 2.0 Provisions for Long-Term Part-Time Employees

On December 29, 2022, President Biden signed into law the SECURE 2.0 Act of 2022 (SECURE 2.0). This Act expands the eligibility provisions of 401(k) plans for Long-Term Part-Time (LTPT) employees beginning January 1, 2024. This provision will have a significant impact on your retirement plan.



Who is eligible?

Under the SECURE Act, LTPT employees are defined as:

- Employees who are at least 21 years old and have worked three consecutive 12-month periods in which they performed at least 500, but less than 1,000, hours of service during each period.
- Plan years prior to January 1, 2021, are disregarded when determining whether an employee is an LTPT employee, which means the earliest an LTPT employee could become eligible to participate in a plan is **January 1, 2024**.
- LTPT employees must complete at least 500 hours of service in each 12-month eligibility service period.
- This eligibility period must happen over three consecutive years.

Please Note: If your plan document excludes a certain classification of employees, the exclusion cannot be applied to LTPT employees.

It is your responsibility to offer these LTPT employees the ability to participate in the salary deferral portion of the plan.

What are they eligible for?

This provision allows LTPT employees to make salary deferral contributions to the 401(k) plan. To comply with this provision, your 401(k) plan will need to be amended to include a dual eligibility requirement under which an employee must complete either a one-year service requirement (1,000 hours of service during the 12-month eligibility service computation period) or three consecutive years of service where the employee completes at least 500 hours of service in a 12-month eligibility service computation period.

As a plan sponsor, you still have the option to require an employee to satisfy the minimum age and service requirements to

become eligible to receive any employer contributions.

Are there changes we can make to our plan to avoid this requirement?

Some plan designs will not be affected by the LTPT employee provision. For example, if a plan allows immediate eligibility or requires a short service requirement, such as three months or less, the LTPT employee provision will not apply since employees will be eligible before completing 500 hours of service. Alternatively, the LTPT rules will not apply to a plan using the “elapsed time method” for determining eligibility. A one-year eligibility service requirement under the elapsed time method means that the employee does not need to work a certain number of hours but must still be employed on their one-year employment anniversary date to satisfy the plan’s eligibility service requirement. The LTPT employee provision will not apply to those employees since they will be eligible to participate in the plan after they satisfy the plan’s age, service, and entry date requirements.

IMPORTANT: Due by Dec 15

You’ll need to complete and return the [LTPT Amendment Authorization Form](#) to indicate whether you would like to make changes to your plan design or to continue with the existing design. If elected, BPAS will prepare an amendment to your plan document to reflect these changes. Complete and return the form as soon as possible. Plans with **forms returned after 12/15/23 may not be amended in time** to meet the 12/31/23 execution deadline. If BPAS is not providing document services for your plan, please contact your service provider and ask them to draft an amendment as soon as possible.

What do we need to do to comply with the LTPT requirements?

It has been a BPAS requirement that all employee data is submitted with each payroll file through our CensusPro software. If you have been correctly reporting information for every employee through CensusPro, we will determine eligible LTPT employees and send you a list for verification purposes. It is your responsibility to offer these employees the ability to participate in the salary deferral portion of the plan.

If you have not included all employees on the payroll files you submit to BPAS, you will need to contact your payroll provider or amend your file to include salary and hours for each employee. Additionally, you must provide BPAS with a **one-time** file containing the information on the attached file layout for any employee you neglected to previously report. Upon receipt of this file, BPAS will determine eligible LTPT employees and send you a list for verification purposes. **This file must be provided to your BPAS Plan Consultant via secure email no later than 12/15/23. Any related changes to your payroll files must be made no later than 12/31/23.** If you need assistance in sending a secure email, please contact your Plan Consultant.

We realize that the regulations regarding LTPT employees are complex. To help you understand the provisions more fully, **click the image below to view our video** for a more detailed explanation. As always, we’re here to help. Please reach out to your Plan Consultant with any questions or concerns.

