

# **SECURE 2.0**

## **Impact on Retirement Plans for 2024**

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## Today we will cover

- **Long Term Part Time Employees (LTPT)**
- **Required Minimum Distributions (RMD)**
- **Increased cash-out provision**
- **Family Attribution**
- **More on SECURE 2.0**



## **Long Term Part Time Employees (LTPT)**

## LTPT- The Basics

**Who-** Employees who DO NOT meet the Normal eligibility requirements for the plan, but have completed 2 or 3 consecutive years with 500 hours of service AND are at least age 21

- Years prior to 2021 are not counted
- Union employees and Non-resident aliens are excluded
- May exclude classes of employees if unrelated to service conditions

**What-** Must be allowed the opportunity to make salary deferrals to the plan at next Entry Date

- Not required to provide any Employer contributions (match, safe harbor, profit sharing etc.)
- May be excluded from all testing, by plan election, as well as Automatic Enrollment
- Special 500 hour per year vesting rule applies

**When-** January 1, 2024 entry - must complete 3 consecutive years (ex. 2021,2022,2023)

January 1, 2025 – changes to 2 consecutive years, and applies to 403b plans

# Counting Years of Service

- 12 month period with at least 500 hours of service
- Counting starts from hire date
  - Complete first year at anniversary date
  - Continue counting on anniversary dates OR  
Switch to plan year
- Switching to plan year creates overlap in Year 1 and 2  
Example- Hire 12/13/23-12/13/24= Year 1  
1/1/2024-12/31/2024= Year 2
- Counting based on Plan eligibility computation period, unless otherwise elected
- Employees hired prior to 1/1/2021, count first year starting in 2021 - Exclude years beginning prior to 2021 (2023 for 403(b))

## Counting Years of Service- continued

- Can use actual Service Hours or Equivalency Method
  - 10 hours per day
  - 45 hours per week
  - 95 hours per semi-monthly pay period
  - 190 hours per month
- If less than 500 hours in one of the consecutive years, restart counting the next year with 500 hours
- Must attain age 21 by end of consecutive 2- or 3-year period
- Enter on Plan Entry dates, unless otherwise elected must be within 6 months of satisfaction

# Challenges

## Vesting

- Based on 500 hours per year-must track
- Even if later meet “Normal” eligibility, continue counting vesting at 500 hours per year as a “Former LTPT”
- Exclude service prior to 2021, 2023 for 403(b)
- May use normal exclusions- years prior to age 18, prior to plan effective date

## Testing

- May exclude LTPT from ALL testing- no partial exclusions- talk to your Pension Consultant!
- “Former LTPT” –must be included for testing and contributions
- Plans with more lenient eligibility may not have LTPT- employees who meet “Normal” eligibility must be included for all testing

## Change in Status

- Met LTPT requirements, but terminate before Entry Date - enter immediately upon rehire
- “Former LTPT” – included for testing and contributions, no switch back to LTPT- but keep 500 hours per year vesting.
- All years of service count – including Union or excluded class, can enter as LTPT as soon as status changes

## What Plans or Employees are NOT impacted

- Only 401(k) plan are affected for 2024; 403(b) beginning in 2025  
Does not apply to Profit Sharing, Money Purchase, Defined Benefit plans
- Union employees and Non-resident aliens are excluded, does not apply to Union only plans
- Plans that use Elapsed time for Eligibility counting are not impacted as there is no minimum hours requirement
- Plan with age/service requirement for deferrals earlier than LTPT are not impacted  
Examples- immediate entry; 6 months with no minimum hours; 1 year with 500 hours
- Employees excluded from the Plan, unrelated to service hours may continue to be excluded  
Examples- exclusion by location, job classification, hourly employees- permitted  
“Cannot use classification that is a proxy for hours of service, such as seasonal or part-time”
- Plan can be amended to change eligibility/entry to avoid LTPT rules- elect and operate now, amend by end of 2025. Communicate to eligible employees!



# Required Minimum Distributions (RMD)

- RMD- age 73 until 2033 (born 1/1/51-12/31/1959) required for any owner or former employee
- Death of participant at any age triggers requirement. Designated Beneficiaries must distribute all funds by end of 10th year following death.  
(exception for Eligible Designated Beneficiaries)  
If participant died on or after age 73, continue annual RMDs for the 10 years until fully distributed.
- Penalties eliminated for many missed or incorrect RMDs from 2020-July 2023  
Reduced missed RMD penalty tax for other years
- **New for 2024:**  
Roth accounts are excluded from RMD!  
(Does not apply to beneficiaries of Roth accounts)
- Surviving spouse- may elect to be treated as participant- RMD rules apply as if they are the account owner
  - Delay RMD until age 73 (75 after 2032)
  - Use more favorable Uniform Life Table
  - Spouse's beneficiary treated as original beneficiary

## Increased Cash-out Provisions

Cash out limit increases from \$5,000 to \$7,000  
May force out of former employee balances below \$7,000. Removing them from the plan can reduce plan related fees and fiduciary responsibilities

Defined Benefit Plans- reduce head count  
= lower PBGC premiums.

# Family Attribution

## Current Rules- before 2024

Spouses are generally attributed ownership to/from each other due to:

- Community Property Law -spouses each own property acquired during marriage while living in such states
- Attribution via minor children- attributed ownership of both parents
- Do not meet ALL noninvolvement conditions of IRC §1563(e)(5)
  - The other spouse has no direct ownership in the entity
  - The other spouse has no participation in the entity (Not an employee, Not involved in management)
  - No more than 50 percent of gross income is passive (rents, royalties, dividends, interest, etc.)
  - Interest is not subject to restrictions in favor of spouse or minor (under 21) children
- Often creates a Controlled Group - spouses with independent businesses must offer the same plan benefits to employees of both companies, unless they can pass testing excluding each other

# Family Attribution- continued

## **SECURE 2.0 – Effective for 2024** **Eliminates Attribution from Community Property or minor children**

- Attribution still applies unless you meet ALL noninvolvement conditions
- Changes in Attribution may change Controlled Group (CG) determination- Plan covering spouses' companies may become a Multiple Employer Plan
- Controlled Group vs Multiple Employer Plan– impacts testing of the companies/employees within the plan.  
May allow better individual plan design- talk to you Pension Consultant!
- May apply special coverage transition rule for 2024-2025 if needed



## More from SECURE 2.0

- Employee self-certification for hardship withdrawals
- Allow hardship withdrawals from deferral earnings in 403b plans
- New Withdrawal options- domestic abuse and emergency expenses forms and process TBA early 2024
  - exempt from 10% early withdrawal penalty
  - no 20% mandatory withholding (not rollover eligible)
  - may repay within 3 years
- Retroactive amendment permissible to increase prior year employer contributions- due by corporate tax return deadline
- Mid-year conversion or rollover of SIMPLE to 401k Safe Harbor Plan permitted.

### Best Practices for SECURE 2.0 Optional Changes:

Don't rush to add optional provisions for which we are lacking guidance  
Communicate elections to participants- actual amendments are not required until 2025

## Action Items

- Provide us with complete and accurate census information- including dates of birth, hire, term/rehire and hours
- Review plan eligibility/entry conditions if you want changes to simplify LTPT or discuss LTPT testing options.
- Inform your TPA of any errors regarding plan eligibility, entry, missed deferrals, RMD etc. SECURE 2.0 includes expanded Self Correction options.
- Spousal Attribution- contact us to review change in CG/MEP status or how you can use the new rules to your advantage.
- Review optional provisions to determine which best suit your plan and employees

**Contact your dedicated Pension Consultant-  
we are here to help guide you to a more SECURE future!**

# Thank you

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