

Employee Benefit Plans Alert

Part-Time Workers: Start Counting Hours

By Anthony Bianchi, Tax Supervisor

The Setting Every Community Up for Retirement Enhancement (SECURE) Act (the Act) of 2019 seeks to expand retirement plan coverage for U.S. workers. This includes a new requirement for 401(k) plans to permit part-time employees who work at least 500 hours for three consecutive years to be eligible to participate in the plan and make salary deferrals. The tracking period starts with the first plan year after December 31, 2020, even though plans are not required to actually allow entry into the plan for these part-timers until the 2024 plan year.

Stipulations Related to Plan Participation for Part-Timers

Under this provision of the Act, employees must work between 500 and 999 hours per year for three consecutive years in order to be eligible for plan participation. The provision applies only to salary deferrals. Plan sponsors can continue to impose restrictions on part-time employees for purposes of allocating employer contributions.

The new provision applies only to 401(k) plans (with the exception of those that are subject to collective bargaining). For 403(b) plans, the "universal availability" provision already requires plans to allow all employees the right to make elective deferrals, with limited exceptions. Governmental 457(b) plans are free to distinguish the employees allowed to make elective deferrals, and private, tax-exempt 403(b) plans must not discriminate in favor of select management or highly-compensated employees.

Additional Burden on Employer

Although this relaxed eligibility provision is good news for employees who were previously excluded from plan participation, and there is no additional expense to the employer to contribute to these workers, it does impose an additional burden on plan sponsors, who will now be required to track all employee hours to ensure compliance with the new provision and allow entry into the plan for employees once they satisfy the three-year requirement.

Plan sponsors may reduce the burden of the tracking and maintaining of hours by amending their plans to allow all part-time employees to make elective deferrals to the plan, regardless of hours worked.

Contact Us

The Employee Benefit Services Group at PKF O'Connor Davies is available to assist employers with the various compliance reporting and other requirements imposed by federal agencies. We also provide a full spectrum of compliance services for qualified retirement plans, non-qualified deferred compensation plans, and welfare plans. For more information, please contact your client services partner or either of the following:

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