

SECURE 2.0 Act Plan Sponsor Year-End Compliance

September 12, 2024

PRACTICES Employee Benefits and Executive Compensation

As we previously reported [here](#), the SECURE 2.0 Act was signed into law on December 29, 2022. Although retirement plan amendments made pursuant to the SECURE 2.0 Act are generally not required to be made until on or before the last day of the first plan year beginning on or after January 1, 2026 (2029 in the case of governmental plans), plans must operate in accordance with such amendments as of the effective date of the statutory provisions. Further, plan sponsors should coordinate with their service providers and plan counsel to determine whether any of the SECURE 2.0 provisions currently in effect should be reflected in the plan's SPD.

Below is a summary of the SECURE 2.0 Act provisions that will become effective on January 1, 2025.

- **Long-term, part-time worker coverage:** Beginning in 2024, the original SECURE Act required plan sponsors to permit part-time workers who work at least 500 hours in three or more prior consecutive years to make elective deferrals into the plan. For 2025, the length of service requirement is reduced to apply to part-time workers who work at least 500 hours in two or more consecutive years. Notwithstanding the foregoing, plan sponsors may still exclude employees from making elective deferrals based on reasonable business classifications including specified job categories, nature of compensation (*i.e.*, hourly or salaried employees), geographic location, etc.
- **Higher catch-up contribution limits apply at age 60 through 63:** For taxable years beginning after December 31, 2024, the catch-up contribution limit for ages 60 through 63 will be the greater of (i) \$10,000 or (ii) 150% of the regular catch-up amount (\$7,500 currently), indexed for inflation. Some plan providers have taken the position that these higher catch-up contribution limits are mandatory if the plan allows for catch-up contributions, but the IRS has not provided guidance supporting this position to date.
- **Expanding automatic enrollment in retirement plans:** Subject to a few exceptions, 401(k) and 403(b) plans adopted on or after December 29, 2022 are required to adopt automatic enrollment features for plan years beginning after December 31, 2024.

For a summary of SECURE 2.0 Act provisions that became effective in 2024, please refer to our prior blog posts [here](#) and [here](#) which include the following provisions:

- Emergency savings accounts linked to individual account plans;
- No pre-death Roth required minimum distributions;
- Surviving spouse election to be treated as employee for purposes of required minimum distributions;
- Withdrawals for individual cases of domestic abuse;
- Withdrawals for certain emergency expenses;
- Updating dollar limit for automatic cash-outs;
- Treatment of student loan repayments as elective deferrals for purposes of matching contributions;
- Replacement of SIMPLE retirement accounts with safe harbor 401(k) plans during a plan year;

- Exemption for certain automatic portability transactions; and
- Safe harbor for plan corrections of employee elective deferral failures.