

Section 125.

(last updated 1/10/2024)

Title: One-year reduction in period of service requirement for long-term, part-time workers

Effective Date: Generally effective for plan years beginning after December 31, 2024. The clarification that pre-2021 service may be disregarded for vesting purposes is effective as if included in the 2019 SECURE Act, so effective for plan years beginning after December.

Mandatory or Optional: Mandatory

Plans Affected: 401(k); 403(b)

Previous Law: Under current law as amended by the SECURE Act, 401(k) plans generally must permit an employee to contribute to a plan if the employee worked at least 500 hours per year with the employer for at least three consecutive years and has met the minimum age requirement (age 21) by the end of the three-consecutive-year period.

In the case of employees who are eligible solely by reason of the rule for long-term, part-time employees, the employer may elect to exclude such employees from the nondiscrimination testing and coverage rules, and from the application of the top-heavy vesting and benefit rules, and such an employer is not required to make matching or nonelective contributions to such employees.

12-month periods beginning before January 1, 2021, are disregarded for purposes of its special eligibility rule for long-term, part-time employees (but not for vesting purposes).

SECURE 2.0 Law: Reduces from three to two the required years of service before long-term, part-time workers are eligible to contribute to a plan. Pre-2021 service is also disregarded for purposes of the vesting of employer contributions (and pre-2023 service is disregarded for eligibility and vesting purposes under the new, SECURE 2.0 parttime employee provision). Extends the long-term, part-time coverage rules to 403(b) plans that are subject to ERISA.

Guidance and/or Correction Bills:

- None

NAGDCA Action:

- [1/10/24 Technical Corrections Letter](#)
- [1/10/24 Comment Letter to IRS and Treasury](#)
- [10/24/23 NAGDCA Comment Letter](#)
- [3/23/23 Letter to IRS and Treasury](#)