



August 2023

SECURE Act 1.0: Implementation of the Long-Term, Part-Time Rule

The SECURE Act of 2019, or the "Setting Every Community Up for Retirement Enhancement" passed by Congress in 2019 (commonly called **SECURE 1.0**), included significant changes to the 401(k) plan rules. One change requires 401(k) plans to offer deferral eligibility for certain long-term, part-time (or LTPT) employees (as defined in SECURE 1.0) (the "LTPT Rule"). Under SECURE 1.0, for **plan years beginning on or after January 1, 2024**, certain LTPT employees may be eligible to participate in a 401(k) plan despite the plan's usual eligibility conditions under the LTPT rule.

Plan sponsors should consider the impact of the LTPT Rule, particularly in the following two cases:

- 401(k) plans where initial eligibility is based on hours of service.
- 401(k) plans that exclude any employees on the basis of service hours (e.g., exclusion of part-time employees) regardless of the plan using hours, elapsed time, or no service requirement to determine 401(k) eligibility for other employees (For example, plans that have no service requirement but exclude certain groups of employees).

Eligibility Tracking

Fidelity's Hours Eligibility Tracking Service has been updated to include the three consecutive year/500-hour rule. Plans using the hours service should review data requirements and determine if any additional data needs to be provided to Fidelity. [Learn More](#)

Note: Data requirements may change based on plan design.

Plans tracking hours eligibility independently should review data requirements to inform Fidelity when an LTPT employee is eligible to enter the plan. [Learn More](#)

Employee Class Exclusions from Deferrals

Some 401(k) plan documents currently exclude employee groups on the basis of the hours they generally work. For example, they may exclude part-time, seasonal, temporary employees or other groups that are service-based. Many such plans allow these service-based excluded employees to become participants upon the completion of 1,000 hours of service and the age of 21. These same employees may be able to participate under the LTPT rule as well. Please note that a service-based exclusion may be subject to the LTPT rule, even if your plan generally uses elapsed time to determine eligibility service. **You should**



consult your ERISA counsel to determine if your plan’s class exclusions are subject to the LTPT rule. Please contact your Fidelity Representative if you believe your plan will be subject to the LTPT rule.

Employer Contributions

SECURE Act 1.0 gives Plan Sponsors discretion to include LTPT employees in employer contributions. Fidelity’s solution will default LTPT employees to be excluded from employer contributions unless directed otherwise.

Fidelity expects guidance from the IRS this year for several LTPT employee topics, and we will communicate additional updates.

Fidelity does not provide legal or tax advice, and the information provided is general in nature and should not be considered legal or tax advice. Consult an attorney, tax professional, or other advisor regarding your specific legal or tax situation.

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