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2024 NEW YEARS' RESOLUTIONS FOR RETIREMENT PLANS

January 5, 2024

Over the past few years, numerous pieces of legislation affecting retirement plans have been signed into law, including the Setting Every Community Up for Retirement Enhancement (SECURE) Act, the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Bipartisan American Miners Act, and the SECURE 2.0 Act (the “Acts”). While some of the changes, including both mandatory and optional provisions under the Acts previously became effective, other provisions under the SECURE Act and SECURE 2.0 Act had a delayed effective date. As we enter into 2024, many of the remaining mandatory and optional provisions established under these Acts are now going into effect. As a refresher, we have compiled a brief list of some of the important changes that will affect retirement plans in 2024:

Long-Term Part-Time ("LTPT") Employee Rule - We resolve to permit more part-time employees to defer to our plans.

Beginning January 1, 2024, 401(k) plans are required to allow eligible employees who have at least 500 hours of service over 3 consecutive, 12-month periods beginning on or after January 1, 2021 to participate for purposes of making elective deferrals only, even where the 401(k) plan provides for a longer service requirement for deferral eligibility. *See our prior SECURE Act and SECURE 2.0 Act newsletters, linked below, for more details on the LTPT employee rule; however, note that the IRS recently published proposed regulations on the LTPT employee rule, which are not addressed in these newsletters.*

Effective January 1, 2025, the SECURE 2.0 Act changed the rule to require only 2 consecutive 12-month periods of service with at least 500 hours of service, and to apply the LTPT employee rule to 403(b) plans.

RMD Age and Roth Accounts - We resolve to permit our elders to stay in our plans longer (again).

The age at which required minimum distributions (“RMDs”) must commence was increased again by SECURE 2.0, this time to age 73 for individuals who turn age 72 on or after January 1, 2023. Additionally, pre-death RMDs are no longer required for Roth accounts in retirement plans, generally effective for taxable years after December 31, 2023.

New Emergency Withdrawals -
We resolve to permit more access to retirement plan savings.

Beginning January 1, 2024, plan sponsors may add a number of new optional features addressing emergency situations, including:

- Emergency Expense Distributions - Plans may permit participants to receive one emergency distribution of up to $1,000 per calendar year to cover unforeseeable or immediate financial needs relating to personal or family emergency expenses.
- Distributions for Victims of Domestic Violence - Plans may permit a participant who is a domestic abuse victim to take a distribution up to the lesser of $10,000 (indexed) or 50% of the participants vested account balance during the 1-year period beginning on the date on which the individual is a victim of domestic abuse by a spouse or domestic partner.
- Emergency Savings Accounts - Plan sponsors may offer an emergency savings account linked to their defined contribution retirement plan. Participants who are not highly compensated employees may contribute (on a post-tax, Roth basis) a maximum of $2,500 (indexed), or such lower amount that may be set by the plan sponsor. The account must allow for withdrawal by the participant at least once per calendar month, and the first 4 distributions per year from the account cannot be subject to fees or charges.

Mandatory Distribution Threshold -
We resolve to increase our automatic IRA rollover threshold.

The limit on involuntary distributions (i.e., the automatic IRA rollover limit) is increased from $5,000 to $7,000 for distributions occurring on or after January 1, 2024. However, this increase is optional - therefore, the limit under a plan will stay at $5,000 unless the plan administrator takes action to increase it to $7,000.

Roth Employer Contributions -
We resolve to treat employer contributions more like Roth.

Plans may permit employees to designate employer matching contributions or nonelective contributions as Roth contributions if such contributions are 100% vested when made.

Matching Contributions on Student Loan Payments -
We resolve to treat student loan payments like employee deferrals.

Plan sponsors may treat certain "qualified student loan payments" as elective deferrals for purposes of matching contributions.

2024 Resolutions Saved for Another Year

Roth Catch-Up Contribution Requirement is Pushed Back.

SECURE 2.0 required that all catch-up contributions made to a retirement plan by employees paid more than $145,000 (indexed) in FICA wages in the prior year be made on a Roth basis. The original effective date of this requirement was generally January 1, 2024 – however, in September, the IRS provided for a 2-year administrative transition period, which essentially moved the effective date for this requirement from January 1, 2024 to January 1, 2026. This extension provides plan sponsors with additional time to prepare for this new requirement.

Amendment Deadline to Reflect the Acts

IRS Notice 2024-02, released in the last week of December 2023, further extended the amendment deadline for changes made by the Acts. In general, the deadline to adopt an amendment to a qualified plan for required and discretionary changes made by the Acts is now December 31, 2026.

For more in-depth analysis of the new provisions briefly described above, please refer to our prior newsletters linked below:

[The Secure Act Becomes Law!]
[SECURE 2.0 Passes]
[IRS Relief for Roth Catch-up Requirement]

If you have any questions or would like additional information, please contact a member of our Employee Benefits & Executive Compensation Practice Group.

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