



Operational Retirement Plan Changes for 2024

Chad DeGroot

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While amendments for the following changes under the SECURE Act and SECURE 2.0 Act are not yet required, retirement plan sponsors (especially 401(k) and 403(b) plan sponsors) need to be aware of the following operational changes for 2024 to ensure operational compliance.

Required Change

Long-term part-time employees. Starting in 2024, employers with 401(k) plans that determine eligibility based on hours worked need to review the hours worked by part-time employees over the past three years (i.e., in 2021, 2022, and 2023) to determine whether any employees worked 500 or more hours in each of those three years and thus whether those employees must be eligible to make elective deferrals as of January 1, 2024. Note that as of January 1, 2025, employers will need to review only the prior two (rather than three) years for purposes of determining whether “long-term” part-time employees must be provided the opportunity to participate in a 401(k) plan and 403(b) plans.

Required Minimum Distributions. Starting in 2023, the SECURE 2.0 Act increased the age for required minimum distributions to 73 from 72 (which had been provided for under SECURE 1.0). Plan sponsors generally will apply the maximum required minimum distribution age permitted by law, and therefore will need to ensure that plans are operating in accordance with any such operational changes until amendments are made.

Attorneys

Chad R. DeGroot

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Retirement Plans



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Optional Changes

Increase in Small Account Cash Out Limits. Effective for 2024, retirement plans can force participants to take distributions via automatic rollovers to an IRA where the account is \$7,000 or less (as opposed to the previous limit of \$5,000).

New Withdrawal Opportunities. Additional withdrawal opportunities were provided by the SECURE 2.0 Act, including for participants who are victims of domestic abuse and for emergency expenses. Note that SECURE 2.0 also eliminated the 10% early withdrawal penalty for employees with a terminal illness, but it did not actually provide for an opportunity to take a distribution in such case – this is believed to be an error that is expected to be corrected.

Matching Contributions Based on Student Loan Payments. Starting in 2024, employers may make matching contributions to 401(k) plans on an employee's behalf based on that individual's qualified student loan payments.

Distributions from Roth Accounts. Beginning in 2024, required minimum distributions no longer are required from employer plan Roth accounts to employees (though required minimum distributions attributable to 2023 and payable in 2024 still must be taken). However, beneficiaries still will be required to take required minimum distributions from Roth accounts following a participant's death.

Plan sponsors should work with their administrators and recordkeepers, to ensure that plan operation mirrors any required or optional changes that have been adopted.