



## Don't Panic About Part-Time Employees

March 2020



The **SECURE Act** was signed into law in December 2019 and made many changes that may affect your retirement plans.

This is the **third article** in a series to address the changes to retirement plans under the SECURE Act. You may have heard that under the SECURE Act, part-time employees must be allowed to participate in your retirement plan.

Although, this is true, please keep the following in mind:

- This does not apply to 403(b) plans. It only applies to 401(k) plans.
- A part-time employee must be at least age 21 and must complete at least 500 hours of service each year **for 3 consecutive years** before they are eligible for the plan. Any years of service prior to 2021 will NOT be counted. The earliest these employees could be eligible for a plan is 2024.
- Under the Act, part-time employees will only be eligible for salary deferrals, and not employer contributions, including safe harbor 401(k) contributions.
- These part-time employees will not be included in the non-discrimination tests; however, they must be counted for Form 5500 audit requirements.

### Action Items

- Review the plan document to see if part-time employees are normally excluded from participating in the plan. If not, this change will not affect the plan.
- Keep in mind that even before the law change, if a plan specifically excluded part-time employees, a part-time employee who completed at least 1,000 hours of service in a plan year had to be allowed to participate in the plan for all purposes. This requirement will not change.
- Ensure you have mechanisms in place to track part-time employees' hours of service over an extended period of time.

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If you have questions or would like to  
make changes to your plan,  
please contact your Analyst at [336.271.4450](tel:336.271.4450) or [recordkeeping@stanleybenefits.com](mailto:recordkeeping@stanleybenefits.com)

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