

# Commco Comments

Timely Information and Updates for Employers and Retirement Plan Sponsors

## What Retirement Plan Sponsors Need to Know in 2025

The original SECURE Act of 2019 and the SECURE 2.0 Act of 2022 both introduced legislation that is still in the process of creating changes to retirement plan rules and administration. This article covers some legal updates that retirement plan sponsors should be aware of in the coming year.

### Automatic Enrollment And Escalation For New Plans

The SECURE 2.0 Act of 2022 required new 401(k) and 403(b) plans to automatically enroll employees when they become eligible. While the rule applies to plans established after December 31, 2022 (with some exceptions, as noted below), implementation was not required until 2025.

Beginning this year, any plan established on or after January 1, 2023 must automatically enroll employees at a salary deferral rate of at least 3% but not more than 10%. Further, the automatic contributions must escalate by one percent per year until they reach a rate of at least 10%, but not more than 15%.



Employees will still be able to opt out; the requirement is simply for automatic enrollment escalation to be the default in the absence of employee instructions. These requirements do not apply to plan sponsors in existence for less than three years, businesses with fewer than 10 employees, church plans, or governmental plans.

### Changes To Catch Up Contributions

Employees aged 50 or older have long been allowed to make additional “catch up” contributions to their accounts beyond the ordinary limits. For 2025, an additional “super catch up” category was introduced, further increasing the salary limit for employees aged 60-63.

Beginning in 2026, high-earning employees (initially defined as those who earned \$145,000 or more in the previous year; amounts will be indexed for inflation going in future years), will only be permitted to make catch up contributions on a Roth, rather than pre-tax, basis.

Employers will need to ensure their plan documents are prepared to accommodate this, especially if they are not yet offering the Roth contribution option. If an employer does not offer Roth contributions, then beginning in 2026, their high-earning participants will be unable to make the catch up contributions to which they would otherwise be entitled.

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## **Eligibility Changes For Long-Term Part Time Employees**

The original SECURE Act introduced a rule that beginning in 2024, employers must permit participation by employees who have worked at least 500 hours in each of three consecutive 12-month periods. This group of employees is referred to in the rulings as “long-term part time” (LTPT) employees. The SECURE 2.0 Act further expanded LTPT eligibility, requiring that beginning in 2025, enrollment must be offered to employees who have worked at least 500 hours in each of two consecutive 12-month periods. Employers may still also place age requirements on participation, up to a maximum required age of 21.

LTPT employees are only required to be allowed to make their own deferrals; they are not required to qualify for employer contributions. However, any employer contributions they might receive must vest using the same 500-hour threshold for years of service as eligibility. LTPT service prior to 2021 may be disregarded for vesting purposes, in order to maintain congruity between service calculations for eligibility and vesting.

Note that LTPT rules apply only to non-union employees of 401(k) plan sponsors. They do not apply to 403(b) plans or 457(b) plans, nor do they apply to collective bargaining units. Employees who are permitted to participate solely due to LTPT rules may also be excluded from annual plan tests that otherwise apply to all employees (e.g., coverage, nondiscrimination, and top-heavy requirements).

## **Applying It To Your Plan**

If you have questions about how these changes impact your company's retirement plan, contact your third party administrator or email us at [newsletter@thecommco.com](mailto:newsletter@thecommco.com) to start the conversation.

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