IMA Retirement

Industry Insights

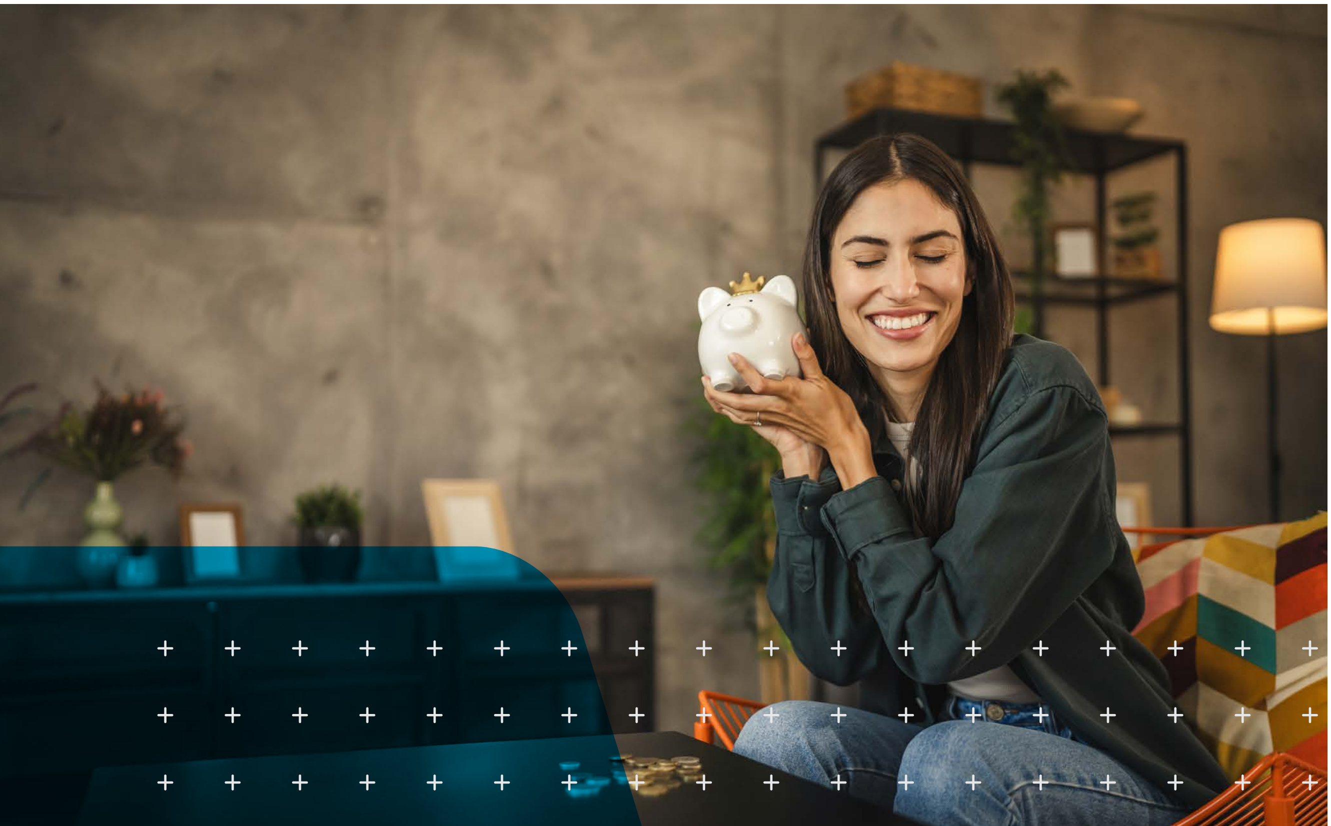
Q1 2025

IRS Provides Long Awaited Guidance on Student Loan Matching Contributions

On August 19, 2024, the IRS released **Notice 2024-63**, providing guidance under SECURE Act 2.0 on an employee's Qualified Student Loan Payment (QSLP) matching contributions in 401(k), 403(b), governmental 457(b) and savings incentive match plans for employees (SIMPLE) IRA plans. Among other items, the guidance covers:

- QSLP qualification requirements
- Payment certification requirements
- Actual deferral percentage (ADP) testing
- Timing of payments
- Tax year attribution

The notice applies for plan years beginning after December 31, 2024. For plan years beginning before January 1, 2025, plan sponsors may rely on a good faith, reasonable interpretation of Section 110 of SECURE Act 2.0. Further guidance in the form of regulations and a model amendment is expected.



DOL Clarifies Application of 2021 Cybersecurity Guidance

On September 6, 2024, the DOL issued the EBSA's Compliance Assistance Release No. 2024-01 clarifying that the cybersecurity guidance it issued in April 2021, applies to all employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), including both employee pension benefit plans, (e.g., tax-qualified defined contribution and defined benefit retirement plans), and health and welfare plans. Consequently, employers, plan sponsors, fiduciaries, and plan participants of employee pension benefit plans and *health and welfare plans* should follow the guidance and maintain strong cybersecurity practices.

In addition, the 2024 guidance references the following U.S. Department of Health and Human Services publications which are targeted to help health plans, and their service providers maintain good cybersecurity practices:

+ Health Industry Cybersecurity Practices: Managing Threats and Protecting Patients
+ Technical Volume 1: Cybersecurity Practices for Small Healthcare Organizations
+ Technical Volume 2: Cybersecurity Practices for Medium and Large Healthcare Organizations

Employers may also want to consider adding cybersecurity matters as a regular item to their plan committee meeting agendas moving forward, analogous to processes in place with respect to adopting, following, and monitoring the terms of investment policy statements and the like. Further vendor selection processes may also need to be adapted accordingly.

IRS Issues Numerous Disaster Relief Notices in Wake of Devastating Events

Taxpayers and plan sponsors need to be aware of the many disaster relief news releases issued by the IRS in the past weeks and months. These releases often provide individuals and business owners more time to file tax returns, make tax payments and complete required reporting such as filing the various versions of IRS Form 5500, *Annual Return/ Report of Employee Benefits Plan*. A cumulative list of these disaster relief notices can be found here Tax Relief in Disaster Situations.

For example, News Release FL-2024-10, issued October 11, 2024, grants tax relief for individuals and businesses in parts of Florida that were affected by Hurricane Milton that began on October 5, 2024. These taxpayers now have until May 1, 2025, to file various federal individual and business tax returns and make tax payments. The notice explains in more detail the specific actions that are affected. This relief also includes the filing of Form 5500 series returns, which are postponed for the affected areas through May 1, 2025, according to the notice.

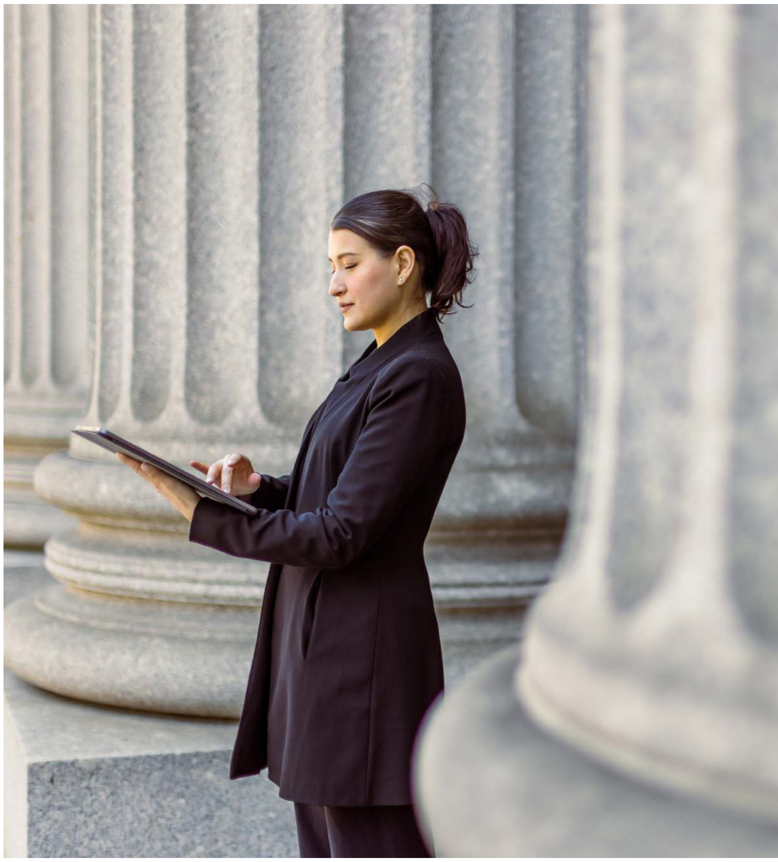
IRS Provides 403(b) Plan Sponsors with Guidance on Long-Term, Part-Time Employee Rules

IRS Notice 2024-73 provides guidance for ERISA-covered 403(b) plans related to the long-term, part-time (LTPT) coverage rules introduced by SECURE Act 1.0 and updated by SECURE Act 2.0. An ERISA 403(b) plan is one where the employer provides contributions or in some other manner controls the plan. Non-ERISA 403(b) plans as well as governmental and nonelecting church plans are not subject to the LTPT rules.

Among other items, the notice clarified an ERISA 403(b) plan:

+ Must give any LTPT-qualified employee the ability to make salary deferrals;
+ May retain an exclusion for part-time employees (e.g., employees who normally work less than 20 hours per week, who do not qualify as ERISA LTPT employees);
+ May exclude student employees from making elective deferrals; and
+ May exclude LTPT employees when determining whether the plan satisfies nondiscrimination requirements for matching contributions.

The IRS plans to issue additional guidance for LTPT rules, including proposed regulations for ERISA 403(b) plans. The notice also states the now proposed LTPT regulations for *401(k) plans*, when finalized, will apply no earlier than to plan years beginning on or after January 1, 2026.



Legislative Update

Many provisions of the 2017 "Tax Cuts and Jobs Act" (TCJA) are set to expire in 2026, generating a tax increase for many individual taxpayers. The Joint Committee on Taxation estimates that extending current individual tax rules for another 10 years (the "budget window") would increase "primary deficits" by $3.3 Trillion.

In 2025, the federal government will have to address a tax/fiscal challenge: whether to allow some or all of the TCJA cuts to expire (resulting in increased taxes for many individuals), find some new sources of revenue, or face a significant increase in the federal deficit.

In response, Congress may look for "revenue raisers" in the qualified plan system to offset the cost of continuing/making permanent the TCJA tax cuts, including further "Rothification" of 401(k) contributions, capping total account balances in qualified retirement savings vehicles, and closing the door on back door Roth conversions.

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