



An update on how we're handling SECURE 2.0

John Hancock is continuing to evaluate and implement SECURE 2.0's provisions and developing action steps to meet its retirement plan requirements and deadlines.

We'd like to update you on a number of the provisions that we're currently addressing.

If you'd like to discuss your options, please reach out to your John Hancock representative.

Section 603

Catch-up contributions must be Roth for certain higher-paid employees

This provision requires that catch-up contributions under an employer retirement plan, other than a SIMPLE IRA or simplified employee pension (SEP) plan, be made on a Roth basis for participants who had wages that exceeded \$145,000 in the prior calendar year (indexed for inflation). Any other participant must be permitted (but not required) to elect to have catch-up contributions made on a Roth basis. Section 603 was intended to be effective for taxable years beginning after December 31, 2023.

On Friday, August 25, 2023, the IRS announced a welcome two-year administrative transition period (until January 1, 2026) for sponsors to implement this provision with Notice 2023-62. Although this delay is effective for the 2024 and 2025 plan years, and Notice 2023-62 states that the IRS expects to announce further guidance on this provision, plan sponsors that don't currently allow for a Roth 401(k) deferral provision may want to consider adding a Roth provision prior to 2026 to ensure appropriate timing for systems implementation, communication with participants, and to amend the plan. Although plan sponsors may remove the catch-up contribution feature from their plan prior to 2026, this would be a less desirable approach, as it would negatively impact participants and is contrary to the spirit of SECURE 2.0.

John Hancock preparation

We'll be reaching out to TPAs with a list of their plans that allow for catch-up contributions but don't currently allow for Roth.

TPA considerations

We request that TPAs work with plan sponsors to add Roth or remove catch ups prior to 2026.

Section 325

Exclusion of Roth from participant RMDs

Prior to 2024, a participant's required minimum distribution (RMD) is calculated by taking into account all of their account balances (both pretax and Roth), and the RMD can be paid from all sources in the plan.

Beginning with 2024 RMDs, SECURE 2.0 excludes Roth amounts (both Roth deferrals and in-plan Roth conversions) from both the RMD calculation for participants (but not for beneficiaries) and as a source of payment for RMDs during the life of the participant.

John Hancock preparation

We're scoping out the changes necessary for the recordkeeping systems, brokerage platform, forms, websites, and participant call center to comply with this change. We expect to be able to comply with this change beginning January 1, 2024.

Our call center will be ready to answer participants' questions about any change in RMD amounts beginning after January 1, 2024. For plans that permit partial distributions, we'll be able to help participants who want to take such additional distribution to make up for the reduced RMD payment due to the excluded Roth accounts.

TPA considerations

If your client's plan doesn't currently permit partial distributions, you may want to speak with your client about amending the plan to add partial distributions. Making this change would allow participants whose current RMDs will be reduced to make up the difference by taking partial distributions. Any such amendment would be a discretionary amendment and would need to be done by the end of the plan year in which the amendment is effective (it's not eligible for the delayed amendment deadline otherwise applicable to SECURE 2.0 changes).

Section 311

Repayment of qualified birth or adoption distribution

The SECURE Act of 2019 (SECURE Act) introduced the qualified birth or adoption distribution (QBAD), which allows plan sponsors to provide participants with additional access to amounts in their retirement plan accounts within 12 months after either the birth of a child or the date of finalization of adoption of an eligible adopted child. The QBAD isn't subject to the 10% early distribution penalty, can be requested using self-certification, and may be recontributed to the plan or an IRA as a rollover.

The SECURE Act and subsequent guidance didn't specify the timeframe during which the amounts could be recontributed to the plan or an IRA. Section 311 of SECURE 2.0 amended the original QBAD provision to restrict the repayment period to three years beginning the day after the date of the QBAD. In addition, it clarified that the repayment period for QBADs made prior to SECURE 2.0 ends on December 31, 2025. This three-year repayment period aligns with other tax rules so that a participant who repays a QBAD can amend his or her tax return to obtain a refund.

John Hancock preparation

We currently support this optional provision from the SECURE Act. Given the clarification provided by SECURE 2.0, we'll update our recordkeeping system, the QBAD form, and the QBAD repayment form. For QBADs made prior to conversion to John Hancock, we'll rely on the participant's certification on the QBAD repayment form to accept the repayment.

TPA considerations

If you currently have clients that offer the QBAD provision, you may want to make them aware of the new repayment requirements and any changes to the applicable forms.

Section 107

Increase in age for RMDs from age 72 to age 73

Both the SECURE Act and SECURE 2.0 increased the RMD age for certain participants as shown below:

RMD age	
70½	If born before 7/1/49
72	If born on or after 7/1/49 and on or before 12/31/50
73	If born on or after 1/1/51 and on or before 12/31/59
75	If born in 1960 or later

As all qualified plans are required to reflect the increased RMD ages, plan sponsors don't need to make any decisions regarding this provision.

John Hancock preparation

Our recordkeeping systems, websites, and distribution forms have been updated to reflect the new 73 RMD age (they were previously updated to reflect the RMD age of 72). When the RMD age increases to 75, which will take effect in 2035, we'll make that update as well.

Section 304

Increase in cash-out limit from \$5,000 to \$7,000

SECURE 2.0 increased the cash-out limit from \$5,000 to \$7,000, effective for distributions made on or after January 1, 2024. The last time the cash-out limit was increased was in 1997.

Some of the reasons that plans moved to a \$5,000 cash-out limit—which also hold true for the \$7,000 limit—include:

- To limit the number of missing participants under the plan
- To reduce recordkeeping and other administrative fees based on the number of participants in a plan
- To reduce the number of participants to whom plan notices are required to be delivered
- To reduce the need to forfeit unvested amounts only after a participant has five breaks in service

In addition, beginning with the 2023 plan year, whether a plan is required to submit audited financials with its Form 5500 is based on the number of participants (active and terminated) with account balances as of the beginning of the plan year, and a higher cash-out limit may assist a plan in escaping the audit requirement.

John Hancock preparation

We'll update our recordkeeping system, effective January 1, 2024, to:

- 1** continue to support a \$1,000 cash-out limit, and
- 2** cease to support a \$5,000 cash-out limit and instead support a \$7,000 cash-out limit.

Plans on our recordkeeping system that currently have a \$1,000 cash-out limit will continue with the \$1,000 cash-out limit on and after January 1, 2024 (i.e., there will be no change to these plans). As required by law, rollovers will continue to be included in determining whether the participant's account balance is \$1,000 or less.

Plans on our recordkeeping system that currently have a \$5,000 cash-out limit will automatically be moved to the \$7,000 cash-out limit effective January 1, 2024. A plan's treatment of rollovers (either included or excluded in currently determining whether the participant's account balance is \$5,000 or less) won't change. In addition to the recordkeeping system, we'll also update the forms, our plan specifications document, and websites to reflect the \$7,000 cash-out limit.

TPA considerations

If your client wants to remove a cash-out provision from the plan or reduce the cash-out limit from \$5,000 to \$1,000, the plan would need to be amended. Any such amendment would be a discretionary amendment and would need to be done by the end of the plan year in which the amendment is effective (it's not eligible for the delayed amendment deadline otherwise applicable to SECURE 2.0 changes).

Section 312

Hardship self-certification

A plan sponsor can now rely on a participant's self-certification to have met one of the IRS safe harbor conditions for a hardship withdrawal. As a result, the plan sponsor isn't required to substantiate the hardship by collecting source documents. To qualify, the withdrawal request can't exceed the amount needed to alleviate the hardship, and the participant must not have any other reasonably available resources to satisfy the hardship.

John Hancock preparation

Because this is an optional provision and only for plans that follow the IRS safe harbor conditions for hardship, we'll continue to support the source document approach for hardship requests. In addition, we plan to expand our administrative capabilities to include the self-certification approach for plans that follow the IRS safe harbor conditions for hardship and are interested in adopting self-certification. We'll provide an update on this service enhancement when we're closer to the launch date.

TPA considerations

If you're interested in offering hardship self-certification to any of your clients, please reach out to your John Hancock representative.

Section 125

Long-term, part-time employees

📌 Starting January 1, 2024, 401(k) plans must let long-term, part-time (LTPT) employees make salary deferrals.

What are LTPT employees?

The first SECURE Act added LTPT as a new classification of employees. These are generally part-time employees (which also include temporary and seasonal employees) who don't meet the plan's regular eligibility requirements but complete three consecutive years of service in which at least 500 hours are worked. Years prior to January 1, 2021, are disregarded for this purpose, which is why LTPT employee coverage begins on January 1, 2024. In addition, the SECURE Act allows a plan to impose an age requirement of not more than age 21.

SECURE 2.0 modified the LTPT employee rules for plan years beginning after December 31, 2024 (so, starting January 1, 2025, for calendar year plans), by replacing three consecutive years with two consecutive years and expanding the rule to also apply to ERISA-covered 403(b) plans. For 403(b) plans, service prior to January 1, 2023, is disregarded from the rule.

LTPT employees must be allowed to make salary deferrals. The plan isn't required to (but may) give them employer contributions. If they receive employer contributions, a year of vesting will accrue if the LTPT employee works at least 500 hours (versus 1,000 hours), excluding years prior to January 1, 2021 (or January 1, 2023, for 403(b) plans). Also, they don't have to be included in the plan's nondiscrimination testing or receive top-heavy minimum contributions.

There's a lot of confusion surrounding the LTPT employee rules, especially related to the 500-hour vesting year requirement. Many questions remain unanswered because guidance hasn't been issued yet. Despite the lack of guidance, **on January 1, 2024**, 401(k) plan recordkeepers and TPAs need to have systems in place to administer a good faith interpretation of the LTPT employee rules.

John Hancock preparation

Starting January 1, 2024, if we calculate eligibility for a plan, employees who satisfy the LTPT employee service requirements will have a special status code on the payroll feedback file. The payroll feedback file will track when LTPT status is enabled, along with any status change to full time (i.e., regular participants). Otherwise, payroll files must identify the LTPT employees by selecting the LTPT indicator on the eligibility file.

Our recordkeeping system and plan sponsor website will be updated to reflect the LTPT indicator, and our plan specification document will be updated to reflect the LTPT provision.

To facilitate compliance with this complicated provision, we're applying the following sensible and practical defaults:

- The age requirement and entry dates will be the same as for regular participants (although age 21 may apply).
- LTPT employees may make pretax or Roth salary deferrals, rollovers, and/or after-tax contributions, to the extent permitted for regular participants.
- LTPT employees won't receive employer contributions (although they may be provided on a case-by-case basis).
- LTPT employees will be subject to automatic enrollment and automatic deferral increases to the extent they apply to regular participants.
- Employees in an excluded classification (other than employees classified as part time, seasonal, or temporary) will continue to be excluded (i.e., the LTPT employee rule won't apply to them).

Please contact your John Hancock representative to discuss options available for your clients.

Example: Nick and Nancy, part-time employees, don't meet Plan X's regular eligibility requirements. Do they meet the LTPT eligibility requirements?

Regular eligibility rules for Plan X	▶	Service required = 1 year/1,000 hours	Plan entry dates = monthly	Plan age requirement = age 20	First year = anniversary year	Subsequent years = calendar plan years
LTPT employee eligibility for Plan X	▶	Service required = 3 (or 2, if post-2024 under SECURE 2.0) consecutive 500-hour years	LTPT entry dates = monthly	Plan age requirement = age 20	First year = anniversary year	Subsequent years = calendar plan years

Computation period	Nick's LTPT employee assessment Birth date = 8/2/03 Hire date = 11/1/21	Nancy's LTPT employee assessment Birth date = 5/2/04 Date of hire = 6/20/21
Initial year (anniversary year)	11/1/21–10/31/22 ✔ Worked 500 hours	6/20/21–6/19/22 ✘ Worked 300 hours
2nd year (switch to plan year)	1/1/22–12/31/22 ✔ Worked 700 hours	1/1/22–12/31/22 ✘ Worked 400 hours
3rd year (plan year)	1/1/23–12/31/23 ✔ Worked 600 hours	1/1/23–12/31/23 ✔ Worked 700 hours
4th year (plan year)	Plan entry date 1/1/24	1/1/24–12/31/24 ✔ Worked 500 hours
5th year (plan year)	N/A	Plan entry date 1/1/25
	SECURE Act rule: 3 consecutive 500-hour years/plan's age requirement	SECURE 2.0 rule: 2 consecutive 500-hour years/plan's age requirement

This is a hypothetical illustration only. Figures are based on assumptions as set out, and individual circumstances may vary.

TPA considerations

Make sure the data sent to John Hancock includes the information necessary to assess LTPT employee status, especially if the plan's eligibility is conditioned on the number of hours worked. This means that they may need to add certain information, such as employee classification codes. For example, if the employer has union employees or nonresident aliens in their workforce, they should be properly identified since they're excluded from LTPT employee rules.

Alternatively, your clients may want to consider amending their plan to avoid the complicated LTPT employee rules. For example, if the plan's eligibility requirements prevent a part-time employee from entering the plan, the plan sponsor may consider reducing the service requirement, at least for salary deferral purposes, by either eliminating any hours requirement, or require no more than 500 hours for a year of service. If the plan sponsor is concerned about additional employer contribution costs, the plan can impose a different service requirement (no more than a year of service in which 1,000 hours are worked) to receive employer contributions. This type of amendment would be a discretionary amendment, which means it must be adopted by the end of the plan year for which it's effective, and the extended SECURE deadline doesn't apply.

[This article](#) goes deeper into the LTPT employee rules and includes plan design alternatives to consider in order to help avoid the complexities surrounding these rules. Contact your John Hancock representative if your client would like to make any plan design changes or if you have any questions on this new rule.

For more information about SECURE 2.0 and to see what we've made available for our business partners, please see our [SECURE 2.0 web page](#).



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