Charting SECURE 2.0

Section 110: Student Loans

Provision	Section 110 – Treatment of student loan payments as elective deferrals for purposes of matching contributions
Effective	For plan years after December 31, 2023
Mandatory	No, An optional provision subject to the plan sponsor's discretion
Summary	Many employees with student loan debt find it difficult, if not impossible, to contribute to their employer sponsored retirement plans. In a move aimed at addressing these concerns, the Student Loan Matching Program in SECURE 2.0 will allow Employers to provide matching contributions on Qualified Student Loan Payments as if they were elective deferrals. For a student loan payment to be considered "qualified," several conditions must be met: *Payment Made by the Employee*: Qualified payments must be made by the employee, and no one else can make them on the employee's behalf. *Repaying a Qualified Education Loan*: These payments must be made for educational expenses, including those of the employee, their spouse, or dependents. The loan must be for higher education, not elementary or secondary school. *Loan Incurred by the Employee:* The loan must be in the name of the employee and not a relative, trust, or related party. Additionally, it cannot be a loan from a qualified retirement plan. *Used for Qualified Higher Education Expenses*: The loan must be used for qualified higher education expenses at accredited public, nonprofit, and proprietary postsecondary institutions., such as tuition and fees. Qualified Student Loan Payments may be matched by the employer, up to the annual deferral limit in effect for the year or the employee's compensation, whichever is less. The match uses the same eligibility, allocation conditions, and formula as regular deferrals and vests at the same rate. Employees must annually certify that Qualified Student Loan Payments have been made. Employees will have at least three months after the close of the plan year to claim the match. Qualified Student Loan Payments are not treated as contributions to the retirement plan and do not impact certain non-discrimination testing. Matching of Qualified Student Loan Payments are subject to ACP (match) testing.
Things to Consider	◆ Employers should assess how many employees are currently repaying student loans, employee interest and if this program would fit into the total compensation package. ◆ Does the plan currently offer matching contributions? ◆ Consider the additional matching cost and fees. ◆ Assess the administrative burden surrounding self-certification. ◆ Effects on timing for ADP/ACP testing and allocation of matching contributions, if applicable. ◆ Would this be a significant benefit to help attract and retain talent?
MVP's Standpoint	While the concept is simple enough, there are several provisions that will require some clarification and guidance. There are questions surrounding the self-certification process (method, timing) and match frequency. What documentation may an employer require for self-certification? How will this impact the Plan Document and will there be model amendments? Student Loan Matching offers a solution to the financial challenges that come with managing student loan debt while saving for retirement. By providing a matching program that allows employees to tackle their student loans while still building their retirement nest egg, employers can enhance their ability to attract and retain top talent.

At MVP Plan Administrators, we are here to assist you every step of the way. Together, we can work toward a more secure retirement future for all employees, including long-term part-time employees. Let us know how we can help you!

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