

SECURE 2.0: Highlight on Student Loan Matching

We continue our series on SECURE 2.0 with a special highlight on a provision of great interest to employers, especially those seeking to attract and retain younger workers: student loan matching.

What's the new rule in a nutshell? SECURE 2.0 makes it significantly easier for employers to adopt student loan matching programs by treating "qualified student loan payments" as elective deferrals for purposes of employer matching contributions. This means the employer's contribution that matches "qualified student loan payments" is actually counted as a match (instead of a nonelective contribution) and can be incorporated into a safe harbor match plan.

What's a "qualified student loan payment"? SECURE 2.0 defines a "qualified student loan payment" as a payment made by the employee to repay an education loan incurred by that employee to pay qualified higher education expenses. Only repayments up to the Section 402(g) limit (or the employee's compensation, if less) *minus* elective deferrals actually made can be taken into account.

How do employers verify this? Employers may rely on an employee's certification that he or she has made qualified student loan payments. Certification may be required annually or more frequently.

How does this impact nondiscrimination testing? Most importantly, the match on qualified student loan payments can be incorporated into a safe harbor design so no additional testing would occur. For plans that are not safe harbor plans, the employer contribution on qualified student loan payments is counted as a match for purposes of the ACP test and the plan may perform ADP testing separately for those employees who received matching of qualified student loan payments.

When can clients start adding this to their plans? This is an optional provision of SECURE 2.0. Employers who would like to add this to their plans may do so for plan years beginning after December 31, 2023. Now is a great time to coordinate with your TPA partner and discuss this new permissive design feature with clients.



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Reminders

- **April 15, 2023:** Deadline for refunding excess deferral (plus investment earnings) to employees.
- **April 30, 2023:** Deadline for defined benefit plan sponsors to distribute annual funding notices.
- **July 31, 2023:** Deadline for filing Form 5500 (if no extension request filed) for calendar year plans.