

Are the requirements for part-time employees the same for health insurance as it is for retirement plans?



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8/18/2025

Are the requirements for part-time employees the same for health insurance as it is for retirement plans?

No, the requirements for part-time employees are not the same for health insurance and retirement plans. Health Insurance under the Affordable Care Act (ACA) requires employers with 50 or more full-time equivalent employees to offer health insurance to full-time employees (working 30+ hours/week), but not necessarily part-time employees. However, employers can choose to offer health benefits to part-time staff, and if they do, they must do so consistently to avoid discrimination. Eligibility may also depend on minimum hour requirements set by the insurance provider or employer.

Retirement Plans (ERISA and SECURE Act 2.0): The Employee Retirement Income Security Act (ERISA) requires that employees working at least 1000 hours in a 12-month period be eligible to join the company's retirement plan. This means that employees working 20 hours per week are not considered part-time for retirement plan purposes. The SECURE Act 2.0 reduces the eligibility wait for "long-term, part-time" (LTPT) employees to participate in 401(k) plans, allowing participation after two years for those working at least 500 hours annually. This rule primarily affects an employee's ability to make their own contributions, and employers are not required to provide matching contributions for LTPT employees.

The three main differences are:

- **Legal Mandate:** The ACA does not mandate health insurance for part-time employees, while ERISA and the SECURE Act 2.0 require retirement plan eligibility for certain part-time employees based on hours worked.

- Hours Threshold: The ACA generally defines full-time as 30+ hours per week for employer mandates. Retirement plan eligibility for LTPT employees is based on a minimum of 500 hours worked per year over a specified number of consecutive years.
- Type of Participation: The ACA mandates offering coverage to full-time employees, whereas the SECURE Act 2.0 focuses on requiring employers to allow LTPT employees to contribute their own funds to retirement plans.

Employers have more flexibility in offering health insurance to part-time employees, while the requirements for including them in retirement plans are more strictly regulated by federal laws like ERISA and the SECURE Act 2.0. If you have any questions please contact your account executive.



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