



Virginia Retirement System

Changes to age-based catch-up contributions effective January 2026

Frequently Asked Questions

1. What is changing for age-based catch-up contributions in 2026?

Starting January 1, 2026, if a participant's prior calendar year FICA wages* with the plan sponsor exceeded \$150,000 (adjusted annually for inflation), any age-based catch-up contributions must be made as Roth after-tax contributions. This applies to 401(k), 403(b) and governmental 457(b) plans.

* Wages subject to Social Security tax, which are included in Box 3 of the participant's W-2. If the participant does not have wages in this category, the rule does not apply to them. This is an increase from the original \$145,000 included in legislation.

Note: Centralized state employers are considered a single employer for the purpose of this provision. If a participant transferred between two of these employers during the calendar year, wages at both employers would count toward this threshold.

2. Which plans are affected?

- The Commonwealth of Virginia (COV) 457 Deferred Compensation Plan is directly affected.
- The Hybrid 457 Plan is not directly affected. Participants who contribute to both plans may experience indirect effects. While hybrid voluntary contributions are limited to 4% of creditable compensation, those contributions count towards the same limit as contributions to a supplemental 457 plan, like the COV 457 Deferred Compensation Plan. Participants that reach 457 contribution limits before the end of the year will be required to stop all contributions, including hybrid voluntary contributions and any associated employer match.
- Other 457(b) or 403(b) plans administered by covered employers are also affected. Employers should consult their plan providers for details.

3. What must employers do to comply?

Decentralized state employers, political subdivisions and school divisions that participate in the COV 457 Deferred Compensation Plan must submit a Mandatory Roth Catch-up (MRC) indicator file to Voya by January 31 each year beginning in 2026:

- All employees that are eligible to contribute to the COV 457 plan should be included in the file regardless of current participation in the plan. This is because employees may choose to begin participating at any point in the year.
- Indicate "Y" for eligible participants (FICA wages > \$150,000) or "N" for ineligible participants (FICA wages < \$150,000).



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- Include the FICA wage year for each eligible participant.
- MRC indicators remain on file until updated by the employer.

For centralized state agencies, this file will be provided by the Department of Accounts. These agencies are considered a single employer for the purpose of this provision.

4. What is the format for the MRC file?

Sample indicator files are available on the [Training and Resources](#) page of the Resource Center for VRS Employers.

- [Sample Mandatory Roth Catch Up Indicator File for SFTP Employers](#).
- [Sample Mandatory Roth Catch Up Indicator File for VPC Employers](#).

As a reminder, centralized state agencies do not need to create this file. This will be created through Cardinal by the Department of Accounts.

5. How does Voya handle contributions for flagged participants?

- For flagged participants (“Y”), Voya will prevent pre-tax contributions above the normal limit from posting.
- Employers using Voya PayCloud (VPC) receive real-time edits and cannot submit excess contributions for flagged participants.
- Manual file submitters on VPC receive real-time edits, but cross-plan checks (Hybrid and COV 457) are not performed at submission. Excess contributions are returned after payroll is posted, and employers must adjust payroll records for accurate W-2 reporting.
- Employers submitting their payroll files via SFTP that include a contribution for a participant with the MRC indicator that has exceeded the pre-tax 457 limit for the year, will be notified after the payroll is received by Voya. The Voya payroll team will work with these employers to return the excess funds in a timely manner, and the employer will need to correct the contribution in Payroll to ensure accurate W-2 reporting.

6. What happens if employers do not submit MRC indicators?

If MRC indicators are not submitted, Voya cannot prevent pre-tax contributions from being posted in error. Corrections will need to be made later, which will likely require a formal correction process to remove the excess contributions and, if applicable, any associated employer match, from the participant’s account(s).

7. If an employee over-contributes and we submit the deferral on file, can the employer refund the employee once notified?

Yes. Voya will work with the employer on a case-by-case basis to return the funds so the employer can process W-2 corrections and refund the participant promptly.



8. What if my employee worked for another VRS-covered employer during the year?

Under this provision, centralized state agencies are treated as a single employer and wages earned under any centralized state agency count towards the threshold referenced above. Centralized state agencies include all agencies paid through Cardinal, the state's centralized payroll system.

For example, if an employee earned \$60,000 working for the Department of Transportation in 2025 and earned \$100,000 working for the State Corporation Commission in 2025, total wages equal \$160,000 and the employee is subject to this provision. The state's centralized payroll system will track this aggregation and provide the MRC indicator to Voya.

For decentralized state agencies, political subdivisions and school divisions, only wages earned directly through that employer count towards meeting the threshold referenced above. For example, if an employee worked for the City of Virginia Beach at the beginning of 2025 but currently works for Loudoun County Public Schools, only wages earned with Loudoun County Public Schools would count towards the threshold.

9. How will participants be informed?

Affected participants will receive targeted communications via email and will see messaging when logging into their accounts, advising them of the Roth catch-up requirement and encouraging them to plan accordingly.

10. Will employers be able to access a list of employees with an MRC indicator on file so internal outreach can be done?

Yes, reporting will be available to employers via SponsorWeb.

11. Where can employers get help or more information?

- Additional resources are available in the [Resource Center for VRS Employers](#) including:
 - [Secure 2.0 Section 603 Employer Presentation](#)
 - [Employer Secure 2.0 Section 603 Job Aid](#)
- Contact Voya Employer Support
 - Email: DCPERSupport@voya.com
 - Phone: 844-570-1482 (weekdays, 8:30 a.m. to 5:00 p.m.)

