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

For decentralized state, political subdivision and school division employers.

The SECURE 2.0 Act requires age-based catch-up contributions be made as Roth after-tax contributions if a participant's prior calendar year FICA wages earned with the employer sponsoring the plan exceeded $145,000 (adjusted annually for inflation).

The provision is effective January 1, 2026 for 401(k), 403(b) and governmental 457(b) plans. For the VRS defined contribution plans, this impacts the Commonwealth of Virginia (COV) 457 Deferred Compensation Plan only. It does not impact the Hybrid 457 Plan directly but may impact contributions indirectly for participants contributing to both plans.

Other 457(b) or 403(b) plans administered by covered employers are also impacted. Employers that administer 457(b) or 403(b) plans should consult with those plan providers for information on how this provision impacts those plans.

Employee Deferral Limits*

- For 457(b) plans, the IRS sets annual limits on the amount employees can defer from their pay. For 2025, the limit is $23,500.
- Employees who will be 50 years or older, are eligible for catch-up contributions, which allow for additional contributions beyond the standard limit.
    - 50+
    - 60-63 super catch-up

* Every year, typically in late fall, the IRS announces the latest contribution limits for retirement savings accounts.

What you need to do

To prepare for these changes, Voya is providing employers with formatting instructions below for producing a new Mandatory Roth Catch-up (MRC) indicator file that employers will submit to Voya annually. The initial file is due January 31, 2026. Voya will accept updates throughout the year.

For each current and eligible participant, employers should provide:

- A "Y" if the eligible participant is an MRC participant due to having FICA wages greater than $145,000 in the previous year or a "N" to indicate if they did not.

- The FICA wage year for which the indicator applies.

MRC indicators remain on file for participants until the employer provides a new annual file or a mid-year update.

For current and eligible participants with a "Y" Voya will prevent pre-tax contributions in excess of the participant's normal contribution limit from posting to the participant's account.

Employers that upload files via Voya PayCloud (VPC)

- You will receive real-time edits and will not be allowed to submit a contribution for a participant who has an MRC flag and has reached the 457 pre-tax limit for the year.

(This includes participants who are contributing to both the Hybrid and COV 457. A cross-plan check will be performed by Voya at the time of file submission.)

Employers that manually submit their files via VPC

- You will receive a real-time edit on the individual files created. However, if you have a participant who is contributing to both the VRS Hybrid and the COV 457 plans, a cross-plan check will not be performed at the time of submission. Employers that submit a contribution on behalf of a participant with the MRC indicator who has exceeded the pre-tax 457 limit for the year, will be notified after the payroll is received and posted.

- The Voya payroll team will coordinate with employers to return any excess contributions. Employers will then be responsible for adjusting the payroll records to ensure accurate W-2 reporting and compliance with IRS regulations.

Important Note: If an employer does not submit MRC indicators, Voya will be unable to prevent pre-tax contributions from going into participant accounts in error. Should this occur, a formal correction would need to occur at a later date.

Refer to page three for contribution limit examples.

Participant Communications

Communications will be targeted to potentially impacted participants notifying them of these changes and encouraging them to plan appropriately to avoid missing deferrals and, if applicable, employer matching contributions. Potentially affected participants will also see messaging when logging into their account informing them that they may be required to make any age-based catch-up contributions as Roth after-tax contributions.

Questions?

If you have any questions, please email Voya Employer Support at **DCPERSupport@voya.com** or call **844-570-1482**, weekdays from 8:30 a.m. to 5:00 p.m.

Additional resources will be posted at **dcpemployers.varetire.org**.

Examples (Based on 24 pay periods over a full calendar year)

Contribution Limit Examples – COV 457 Only

Participant A is **age 55** and earned **$160,000** in the previous year.
COV 457 Contributions:
- Up to $23,500 = pre-tax
- Between $23,501 and $31,000 = after-tax Roth

Participant B is **age 62** and earned **$175,000** in the previous year.
COV 457 Contributions:
- Up to $23,500 = pre-tax
- Between $23,501 and $34,750 = after-tax Roth

If a participant reaches the pre-tax limit early, the pre-tax deferral will stop until the participant makes a new after-tax Roth election. This may result in missed deferrals and if applicable, employer match contributions.
Impacted participants should plan appropriately.

Participant C is **age 67** and earned **$160,000** in the previous year.
COV 457 Contributions:
- Approved for $20,000 Standard Catch-Up
- Up to $43,500 = pre-tax

Contribution Limit Examples – Hybrid Retirement Plan Member

Participant D is **age 55.**
- Earned **$165,000** in the previous year for the purpose of the MRC Indicator and
- Has a current salary (creditable compensation) of **$160,000** in the current year for the purpose of Hybrid VC contributions.

Contribution Limits				
Normal limit $23,500 Pre-tax	+	50+ Catch-up limit $7,500 After-tax Roth	=	Total 457 limit $31,000

If a participant reaches the pre-tax limit early, pre-tax deferrals will stop until the participant makes a new after-tax Roth election. This may result in missed deferrals and if applicable, employer match contributions.
Impacted participants should plan appropriately.

Hybrid 457 VC 4% **pre-tax** = $266.66 per pay period	+	COV 457 **pre-tax** election = $712.00 per pay period	+	COV 457 **after-tax** Roth election = $313.00 per pay period	**Total Annual 457 Contribution $31,000**
Hybrid 457 VC 4% **pre-tax** $6,400 total	+	COV 457 **pre-tax** total $17,088	+	COV 457 **after-tax** Roth $7,512 total	

Note that stated limits are based on 2025 contribution limits and may change for 2026.
*For participants with wages above $145,000 in the previous year, these amounts must be made as after-tax Roth contributions.

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