



# Secure Act 2.0 Section 603 Overview and the Changes to Age-Based Catch-Up Contributions

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# Agenda

- Overview of SECURE 2.0 Section 603
- Examples
- Compliance
- Key Takeaways and Action Items
- Resources
- Q&A

# Updated Contribution Limits

	2026	2025
<b>Elective Deferral Limit (Age 49 and under)</b>	\$24,500	\$23,500
<b>Ages 50-59 or 64+ catch-up</b>	Additional \$8,000	Additional \$7,500
<b>Ages 60-63 catch-up</b>	Additional \$11,250	Additional \$11,250
<b>457 Standard catch-up</b>	Up to an additional \$24,500	Up to an additional \$23,500

# Mandatory provisions that bring change



- Changes to age-based catch-up contributions will be effective January 2026.
  - Primary impact is on participant contributions to the COV 457 Deferred Compensation Plan.
- Applies to:
  - **Participants** with FICA wages greater than \$150,000 in the previous year.
  - **Contributions** over the normal contribution limit based on age:
    - 50+
    - 60-63 super catch-up

Note: This does not apply to approved contributions under the Standard Catch-up provision.

# Age-based Roth Catch-up

## Age-based Catch-up contributions must be Roth for some participants.

- SECURE 2.0 requires age-based catch-up contributions be made as Roth if a participant's prior calendar year 3121(a)/FICA wages earned with the employer sponsoring the plan exceeded \$150k (subject to annual cost of living adjustments).
- The provision is effective 1/1/26 for 401(k), 403(b) and governmental 457(b) plans.
  - For the VRS DC Plans, this impacts the COV 457 Plan only. It does not impact the Hybrid 457 Plan directly but may impact contributions indirectly for participants using both.
  - Other 457(b) or 403(b) plans administered by covered employers are also impacted.



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## What wages count?

The \$150,000 threshold is based on:

- A participant's total FICA wages.\*
- From the previous calendar year.
- Does not include wages from other employers.\*\*



- Salary or hourly pay.
- Bonuses.
- Overtime pay.



- Income from other employers.\*\*
- Non-wage compensation not subject to FICA.

\*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.

\*\*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.

# What are age-based catch-up provisions?

## Age-Based Catch-up Provisions

Eligibility is based on the participant's age at end of the calendar year.

Normal Contribution Limit	Age 50+ Catch-up	Super Catch-Up Ages 60-63	Standard Catch-Up (SCU)
<ul style="list-style-type: none"><li>• <b>\$24,500</b></li></ul>	<ul style="list-style-type: none"><li>• Additional \$8,000*</li><li>• Maximum \$32,500</li></ul>	<ul style="list-style-type: none"><li>• Additional \$11,250*</li><li>• Maximum \$35,750</li></ul>	<ul style="list-style-type: none"><li>• Must be applied for and approved by VRS</li><li>• Up to an additional \$24,500 (not to exceed the participant's approved catch-up credit)</li><li>• Maximum \$49,000</li></ul>

Catch-up provisions may not be combined.

\*For participants with wages above \$150,000 in the previous year, these amounts must be made as After-tax Roth contributions.

# Contribution Limit: Example 1

**COV 457 Plan participant only.**

Participant A is **age 62** and earned **\$175,000** in the previous year.

- 457 Contribution Limit:
- Pre-tax: **\$24,500**
  - Age 60-63 Catch-up: Up to additional **\$11,250** Roth after-tax
  - Total contribution limit: **\$35,750**

**Pre-tax and Roth after-tax deductions are taken evenly over 24 pay periods**

Example 1

$\$1,020.00 \text{ pre-tax}$ (x 24 pay periods = \$24,480.00)	+	$\$468.00 \text{ after-tax}$ (x 24 pay periods = \$11,232.00)	=	$\$1,488.00 \text{ total per pay period}$ (x 24 pay periods = \$35,712.00)
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**Roth after-tax contributions for first 8 pay periods, pre-tax for remaining 16 pay periods**

Example 2

$\$1,406.00 \text{ after-tax}$ (x 8 pay periods = \$11,248.00)		$\$1,531.00 \text{ pre-tax}$ (x 16 pay periods = \$24,496.00)		= Annual total \$35,744.00
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*These examples are for planning purposes only. Based on a full calendar year with 24 pay periods. If contributions start or change mid-year, calculations will differ. Note that deferrals to the COV 457 Deferred Compensation Plan must be made as whole dollar amounts.*



# Contribution Limit: Example 2

**Hybrid Plan Member and COV 457 Plan participant.**

Participant D is **age 55**.

- Earned **\$165,000** in the previous year and
- Has a current salary (creditable compensation) of **\$160,000** in the current year for the purpose of Hybrid voluntary contributions.

Important Notes for Hybrid Plan members:

- Voluntary contributions to the Hybrid Retirement Plan can only be made as pre-tax and count towards the annual 457 contribution limits.
- **If the pre-tax limit is met early, voluntary contributions will stop along with the associated employer match. Planning is key!**

457 Contribution Limit:

- Pre-tax: Up to **\$24,500**
- Up to an additional **\$8,000 Roth after-tax**
- Total contribution limit: **\$32,500**

# Contribution Limit: Example 2 (continued)

Example 1 – Contributions deducted evenly over 24 pay periods

Hybrid 457 VC 4% <b>pre-tax</b> = \$266.67  (X 24 pay periods = \$6,400.08)	+	COV 457 <b>pre-tax</b> election = \$754.00  (x24 pay periods = \$18,096.00)	+	COV 457 <b>after-tax</b> Roth election = \$333.00  (x24 pay periods = \$7,992.00)	= Annual 457 Contribution \$32,487.84
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Example 2 – Hybrid Voluntary Contributions deducted over 24 pay periods, COV 457 after-tax over 6 and COV pre-tax over 18 pay periods

Hybrid 457 VC 4% <b>pre-tax</b> = \$266.67  (X 24 pay periods = \$6,400.08)		COV 457 <b>after-tax</b> Roth election = \$1,333.00  (x6 pay periods = \$8,000.00)		COV 457 <b>pre-tax</b> election = \$1,005.00  (x18 pay periods = \$18,090.00)	= Annual 457 Contribution \$32,487.84
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*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.***

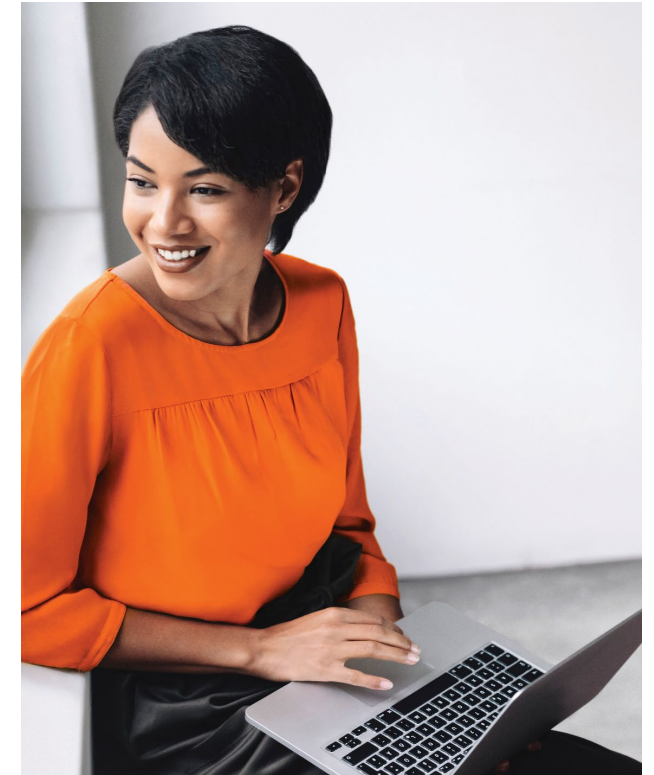
*These examples are for planning purposes only. Based on a full calendar year with 24 pay periods. If contributions start or change mid-year, calculations will differ. Note that deferrals to the COV 457 Deferred Compensation Plan must be made as whole dollar amounts.*

# Supporting Roth Catch-up Compliance

**A Mandatory Roth Catch-up (MRC) indicator file should be provided to Voya for those participants that meet the requirements in the COV 457 Plan.**

- MRC Indicators should be provided annually by January 31.
- Updates will be accepted 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 \$150,000 in the previous year — or an **N** to indicate if they did not.
  - The 3121(a)/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.

**Please note: Cardinal/DOA will create file for Centralized State Employers.**



File format is already available and will be shared via email.

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# Submitting the MRC Indicator For Employers Submitting Payrolls Through VPC

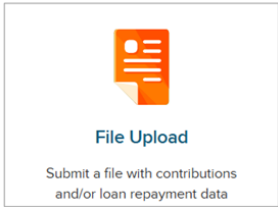
## Decentralized Employers

- 1. Select the File Upload Option for the COV 457 DC Plan (626627)
- 2. Select Division
- 3. Select MRC Map from the Data Map\*
- 4. Upload excel file in the following format:

No.	Field	Length
1.	Plan number	6 (626627)
2.	Location	4
3.	SSN	9
4.	MRC IND	1 (Y/N)
5.	MRC Year	4

- 5. Enter “Payroll Date”, which can be the current date
- 6. Click “Continue”

\*Please note that this functionality will not be available until after 12/31/2025



VOYA PayCloud

General Administration | Help | Exit

Voya PayCloud Home > File Upload

626627 - COV 457 DEFERRED COMPENSATION

File upload details for selected plan

Select Division/Location

0001 VIRGINIA RETIREMENT SYSTEM

Data map

MRC MAP

Select a File

VRS tasks for interface.xlsx

Browse...

Date of Payroll

11/07/2025

Back Continue

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# Submitting the MRC Indicator For Employers Submitting Payrolls Through SFTP

Employers submitting their payrolls via SFTP will be able to send the MRC indicator to us using the same SFTP process:

- The file type need to be a Comma(,) delimited file (.csv)
- The format of the file is available on the ER website under **Training and Resources**
- The naming convention is as follows:
  - MRC\_indicator\_**VRSYSM**<CCYYMMDDHHMMSS>.csv
  - Plan number will be 626627

## Voya File Specification for Mandatory Roth Catch-up(MRC) Indicator File

### 1. MRC Indicator File

- File specification for receiving Mandatory Roth Catch-up(MRC) indicator from employers/clients.
- File type = csv (extension can be .csv/.CSV) – Comma(,) delimited file

### 2. Filename & Folders

- Client/Employer → Voya

Folder	Respective client accounts/folders on transmission box
	MRC_indicator_<ClientID>_<CCYYMMDDHHMMSS>.csv
	<ul style="list-style-type: none"><li>• 'MRC_indicator' - Constant/Literal</li><li>• ClientID - Assigned SSO ID for employer/client &lt;PL656&gt;</li><li>• &lt;CCYYMMDDHHMMSS&gt; - Date/Time stamp to provide unique file id if more than one file per day</li></ul>

### 3. File Layout

- All (Header, Trailer, Detail records must be Comma(,) Delimited i.e. Each field separated by Comma(,)

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# Supporting Roth Catch-up Compliance

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 uploading files via Voya PayCloud(VPC) in the HUB will:**

- Receive real-time edits.
  - Not be allowed to submit a pre-tax contribution for a participant that has an MRC flag and has reached the 457 limit for the year.
  - This includes participants that are contributing to both the Hybrid and COV 457 as a cross-plan check will be done as part of the submission process and will prevent any contributions over the 457 Pre-tax from being included on the file.

## **Important Note:**

If an employer does **not** submit MRC indicators, catch-up contribution processes remain unchanged. Voya will be unable to prevent pre-tax contributions going into participant accounts in error.



## Supporting Roth Catch-up Compliance

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 manually submit their files via VPC including uploading Excel files will:**
  - Receive a real-time edit on the individual COV 457 files created, however if you have a participant that is contributing to both the Hybrid and the COV 457, a cross-plan check will **not** be done at the time of submission.
  - Employers that submit 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/posted.
  - The Voya payroll team will work 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.

### Important Note:

If an employer does **not** submit MRC indicators, catch-up contribution processes remain unchanged. Voya will be unable to prevent pre-tax contributions going into participant accounts in error.

## Supporting Roth Catch-up Compliance

For current and eligible participants with a **Y**, Voya will prevent pre-tax contributions more than the participant's normal contribution limit from posting to the participant's account.

- **Employers that submit their files via SFTP will:**
  - Employers that submit 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.

### Important Note:

If an employer does **not** submit MRC indicators, catch-up contribution processes remain unchanged. Voya will be unable to prevent pre-tax contributions going into participant accounts in error.

# Participant Communications

- Custom communication pieces are being developed to explain the changes and will be sent to those potentially impacted later this month.
- Once Voya receives your MRC indicators, a confirmation statement will be sent to the impacted participants:

NAME ADDRESS City, State Zip Code	Transaction Date: MM/DD/YYYY Confirmation Number:XXXXXX Plan Number: XXXXXX
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**Roth Catch-Up Confirmation**

Based on information provided by your employer,




- You are eligible to contribute on a pre-tax basis up to the regular contribution deferral limit set by the IRS, and in effect for the calendar year.
- Any additional Age 50+ age based catch-up contributions must be made on a Roth basis.
- Please plan your annual deferral elections accordingly.
- You may adjust your deferral elections at any time. You may elect to cease contributions at any time by setting your deferral election(s) to zero.
- To adjust your deferral elections and for more information on IRS limits and applicable regulations, please visit your account online via the web address provided in this confirmation or complete a deferral election form if applicable.

If your Plan does not provide a Roth contribution program, you are not eligible to contribute Age 50+ age based catch-up contributions. Please plan your contribution deferral elections accordingly.

- Similar language will be added to the participant website on the “Change My Contributions” screen on the Voya Participant Website.

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# Key Takeaways and Action Items

Action Item	Timing
 Employers should incorporate monitoring for this scenario into normal limit monitoring processes to avoid corrections later.	Ongoing after January 1, 2026.
 Finalize prior year’s wages to identify MRC participants and provide file to Voya.	Due January 31, 2026.
 Voya will work with employers if excess pre-tax contributions are received over the allowed limit.	Ongoing as participants reach contribution limits during the year.

Impacted participants should be encouraged to incorporate Roth contributions into their contribution planning early in the year to avoid missing out on employer match opportunities!

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## Resources

- A link to a recorded version of this webinar will be shared via email with employer contacts.
  - Will also be available online at [dcpemployers.varetire.org/training](https://dcpemployers.varetire.org/training).
- The MRC Indicator file format will be sent to employer contacts via email.
  - Available in the **Training and Resources** section of the employer website.
- Additional employer reminders will be sent via email.
- Communications to assist participants in maximizing their contributions are in development.
- To schedule informational meetings for your participants, email DaJon Johnson, [DaJon.Johnson@voya.com](mailto:DaJon.Johnson@voya.com).

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### Employer Support Team

[DCPEmployerSupport@voya.com](mailto:DCPEmployerSupport@voya.com)

1-844-570-1482

Hours of Operation: 8:30am – 5pm ET

Keep informed by visiting  
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