



Virginia Retirement System

## Managing 457 Contribution Limits and Excess Deferrals for Employers

Managing contribution limits for your retirement plans is crucial to ensure compliance with IRS regulations and to avoid potential penalties. Employers are responsible for reporting employee and employer contributions to the third-party administrator (TPA) for the Commonwealth of Virginia (COV) 457 Deferred Compensation Plan and the Virginia Cash Match Plan, if applicable.

### Avoiding Excess Deferrals

Excess deferrals occur when the contributions made to retirement plans exceed the allowable limits set by the IRS. These limits are determined on a calendar-year basis for elective deferrals under IRC §402(g). If excess deferrals are identified, they must be distributed by April 15 of the following year to avoid double taxation.

**Employers can have more than one plan for a participant, making monitoring limits more complicated. This could potentially cause participants to contribute over the limits, requiring corrections to be made.**

### Contribution Limits

#### Employee Deferral Limits

- The IRS sets annual limits on the amount employees can defer from their pay. For 2025, the limit is \$23,500. This limit includes voluntary contributions made to the Hybrid Retirement Plan and any supplemental contributions made to a 457 plan, such as the Commonwealth of Virginia 457 Deferred Compensation Plan.
- Employees who will be age 50 years or older are eligible for age-based catch-up contributions, which allow additional contributions beyond the standard limit.
- Starting January 1, 2026, the SECURE 2.0 Act requires that age-based catch-up contributions be made as Roth after-tax contributions if a participant's prior calendar year 3121(a)/FICA wages earned with the employer sponsoring the plan exceeded \$145,000 (subject to annual cost-of-living adjustments).

#### Employer Contributions

- Employers can also contribute to retirement plans, such as the Virginia Cash Match Plan, but these contributions, combined with employee deferrals, must not exceed the annual IRS Section 415 limit. The total contribution (employee deferrals plus employer contributions) including all contributions to 401(a) plans such as the Hybrid 401(a) Cash Match Plan and employer-paid contributions to the Virginia Cash Match Plan, must not exceed the lesser of the annual IRS limit or the employee's taxable salary. For 2025, the combined limit is \$70,000.

**For details on the annual IRS contribution limits, view the [DCP limits page](#).**



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## Corrective Actions for Excess Contributions

If excess contributions are identified, corrective actions must be taken to distribute the excess amounts along with any associated earnings. This helps avoid penalties and ensures compliance with IRS regulations.

For more detailed information on corrective actions for excess deferrals, please refer to the [Employer Payroll Support website](#). You may also review the [DCP Correction Policy](#).

## 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 p.m.



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