



Changes to Catch-Up Contributions for 401(k) Plans Delayed to 2026

BACKGROUND

The SECURE 2.0 Act of 2022 (“SECURE 2.0”) was passed by Congress and signed into law by President Biden on December 29th, 2022. The law contains over 90 provisions, many of which are designed to expand retirement savings and coverage and simplify retirement plan rules.

A number of these provisions will serve as the foundation for new plan formation among small businesses and may propel overall increased participation and savings rates.

Changes to Catch-Up Contributions for High-Income Individuals Has Been Delayed

SECURE Act 2.0 provides that, beginning in 2024, employees with more than \$145,000 in prior-year compensation may only make catch-up contributions on a Roth basis. Many stakeholders raised their concern with the Administration. For example, the American Benefits Council filed [an active request](#), signed by over 100 industry groups, with the House Ways and Means Committee to delay the effective date of this provision because of systems challenges. The request sought a two-year delay of the Roth catch-up requirement, plus any additional time necessary to:

1. Give state and local governments the opportunity to consider and enact needed legislation and
2. Avoid requiring changes during the term of a collective bargaining agreement or other applicable binding agreements.

A welcome response and reprieve came in the form of [IRS Notice 2023-62](#), released August 25, 2023. The notice provides, among other things, a two-year “administrative transition period” (until taxable years beginning after December 31, 2025) under which participants affected by the new SECURE 2.0 “Roth-only catch-up contribution” rule may continue to make non-Roth catch-up contributions.

In essence, the new SECURE 2.0 Roth-only catch-up contribution rule will not apply until 2026.

The notice also addressed three areas related to the Roth-only catch-up contribution rule. First, the guidance clarified that the rule would not apply in the case of an eligible participant who does not have IRC Sec. 3121(a) wages [i.e., wages for purposes of the Federal Insurance Contributions Act (FICA)] for the preceding calendar year from the employer sponsoring the plan. This primarily affects partners (or other self-employed individuals) receiving self-employment income and state and governmental workers.

Second, with respect to a participant to whom the rule applied, the plan administrator/employer could treat a pre-tax catch-up contribution election as a Roth contribution election.

Third, where a plan is maintained by more than one employer, the notice confirms that wages from one employer would not be aggregated with wages from another participating employer for purposes of the \$145,000 compensation limit.

For additional resources regarding SECURE 2.0 please visit Pentegra's [SECURE 2.0 Act of 2022](#) page.

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