

New York State Deferred Compensation Plan

PLAN EMPLOYER NEWS

The IRS has recently increased contribution limits for 2026:

Regular Deferral Limit	$24,500
Age 50+ Deferral Limit	$32,500
Age 60 - 63 Deferral Limit	$35,750
Special 457(b) Catch-up	up to $49,000

Remittance Reminders:

- An employee can only use one type of catch-up provision at a time.
- The IRS yearly limit is a combined total of Pretax and Roth 457b contributions.
- Employers are notified that a participant has begun utilizing a catch-up provision in the "Enrollments and Contribution Change" notice.

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* New IRS Mandate – Effective January 1, 2026 *

SECURE Act 2.0 Section 603: Roth Catch-Up Contributions for High Income Earners

Starting January 1, 2026, participants earning more than $150,000 in **FICA wages (Box 3 on W-2)** in the prior year (specifically for this employer) must make all catch-up contributions as Roth contributions.

What does this mean for NYSDCP participants and Plan Sponsors?

Section 603 changes how some participants can save additional money for retirement. For this high-income earning population, the IRS is limiting their **PRETAX** deferrals to the **NORMAL** IRS limit ($24,500 in 2026) and mandating that their catch-up amount (either $8,000 for the age 50+ provision, or $11,250 for the age 60-63 provision) is contributed to the Plan as Roth (after-tax) dollars.

Which participants will be impacted?

Employee participants who are a part of ALL THREE of the populations below:

1. Deferring a portion of their income into the New York State Deferred Compensation Plan.
2. Enrolled in an **age-based catch-up provision** (either age 50+ or age 60-63).
3. Earned more than $150,000 in **FICA wages (Box 3 on the W-2 form)** in the **PRIOR YEAR**.

Who will NOT be impacted?

- Employees who are younger than 50 and will not be turning 50 that calendar year. (They cannot use an age-based catch-up provision.)
- Employees who are age 50 and over and who have **NOT** elected to use an age-based catch-up provision.
- Employees who were hired in the current year. (They have no prior year salary history.)
- Employees who did **NOT** earn more than $150,000 in FICA wages in the **PRIOR YEAR.**
- Employees who are using the Traditional/Special 3-Year Retirement Catch-up option. Secure Act 2.0 does not apply to participants who are using the Traditional Catch-up option.

What Are My Responsibilities as a Plan Sponsor to Comply with the New Rule?

1. Ensure you have access to the ***NYSDCP Plan Sponsor Website*****.** If you are submitting payroll details using the FastPay system, then you already have access. The "FICA wages" menu item shown on page 4 of this newsletter will be available to choose after January 1st, 2026.

   If you have not been using the FastPay system, or you have additional staff who will need access to the website, you *must* complete and submit our DocuSign form ASAP using the link below to request that a username and password be created.

   https://bit.ly/PlanSponsorUpdateFormNY

   Once the DocuSign form is completed, it usually takes 2-3 business days for website access to be created. At that time, you will receive an email from our administrative team (Nationwide) with your login instructions. (Please check your email's junk folder.)

2. Identify all active participants who earned more than $150,000 in the prior year and who are also using an age-based catch-up provision. **Provide a list of these participants to NYSDCP by January 31st, 2026.** (Instructions on pages 4-6.)

3. Monitor the impacted participants' contribution totals in 2026 to ensure that they do not EXCEED:

   a. The "normal limit" ($24,500) using pretax deferrals. Although these participants are using an age-based catch-up provision, this new IRS rule mandates that they CANNOT exceed $24,500 in pretax deferrals. The catch-up add-on amount of either $8,000 or $11,250 (depending on their age) must consist of Roth, after-tax contributions.

   b. Their current annual IRS contribution limit in total combined pretax and Roth contributions. (For the mandated population, the total limit will either be $32,500 for age 50+ or $35,750 for age 60-63.) It is still very important that participants do not exceed the IRS maximum, or they may be subject to a tax penalty.

4. Implement Deemed Roth Catch-Up Election procedures for managing contribution redirection. Catch-up contribution elections will need to be redirected to Roth when the impacted participant has contributed $24,500 in pretax deferrals, due to IRS rules **regardless of the participant's original election.**

5. Monitor and assist NYSDCP with corrections that need to be made on behalf of participants (with mandated Roth catch-ups) who have inadvertently deferred more than $24,500 in pretax contributions. There are three possible correction methods:

    a. Distribute Excess Pretax Contributions to the participant, at their request.
    b. Correct W-2: Employers may correct the W-2 for the same tax year.
    c. In-Plan Roth Rollover Corrections: Impacted Contributions made as pre-tax need to be recharacterized as Roth through an In-Plan Roth Rollover Correction.

IMPORTANT: ADDITIONAL INFORMATION AND INSTRUCTIONS ON CORRECTIVE PROCESSES WILL BE RELEASED IN THE FIRST QUARTER OF 2026.

Why Upload FICA Wage Information?

To help Plan Sponsors monitor compliance with this provision, we've added a field that can be submitted through our Plan Sponsor website to identify impacted participants. This enables Nationwide to assist with monitoring and oversight. Plan Sponsors remain responsible for ensuring contributions comply with the regulation.

Plan Sponsors will be able to upload or add FICA wage information for 2025 beginning January 1, 2026. This will need to be updated annually **and** after any new enrollments. Plan sponsors only need to upload information for impacted participants (those who are age 50 and over and who earned more than $150,000 in FICA wages in 2025).

How to Provide FICA Wage Information to NYSDCP- two options

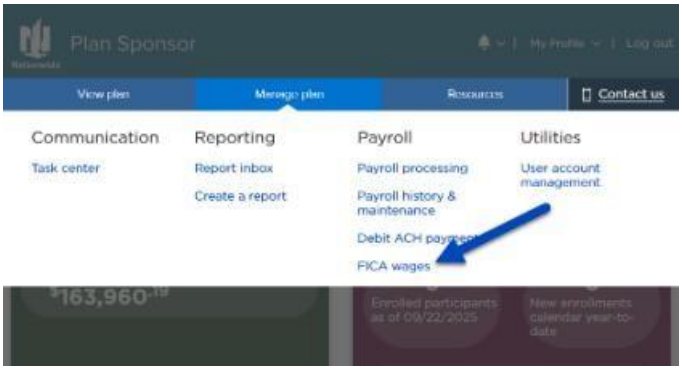
1. Upload a file to the plan sponsor site

2. Manually add individual participant information on the plan sponsor site

Please see the Roth Mandate Toolkit on the Plan Sponsor website (nrsforu.com/plansponsor) for instructions on formatting a .csv file for upload to the plan sponsor website. Click on "Guide to uploading FICA wages."

Option 1: Upload a file to the Plan Sponsor Site

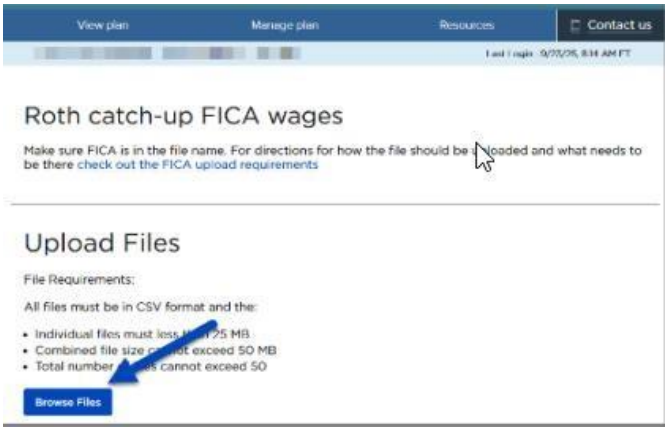
Ensure you have a properly formatted CSV file, and then upload it according to the instructions below:



1. Log into the plan sponsor website. Select **Manage Plan** and then select **FICA Wages.**



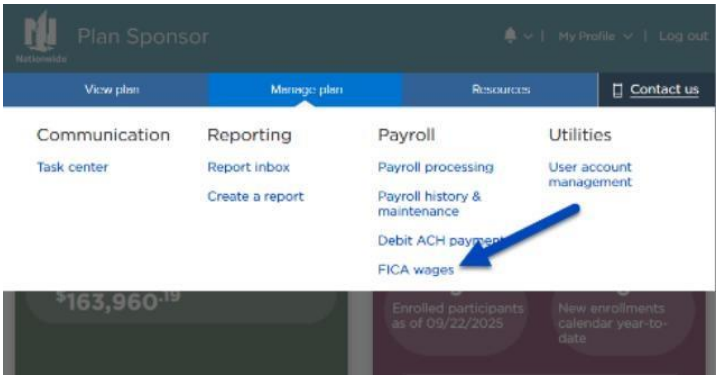
2. Select **Upload File.**



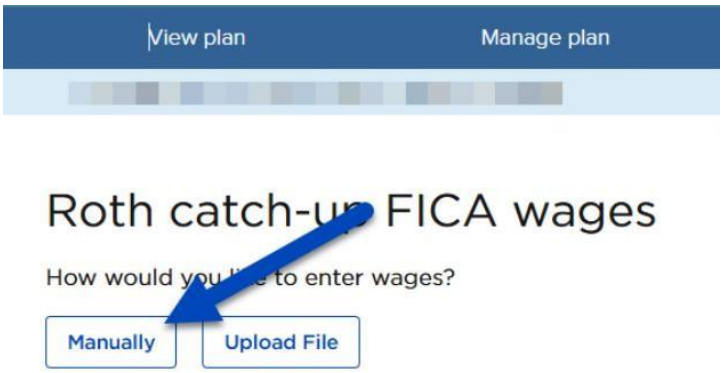
3. Select **Browse Files** and select the properly formatted CSV file.

Option 2: Manually Add Participant Information

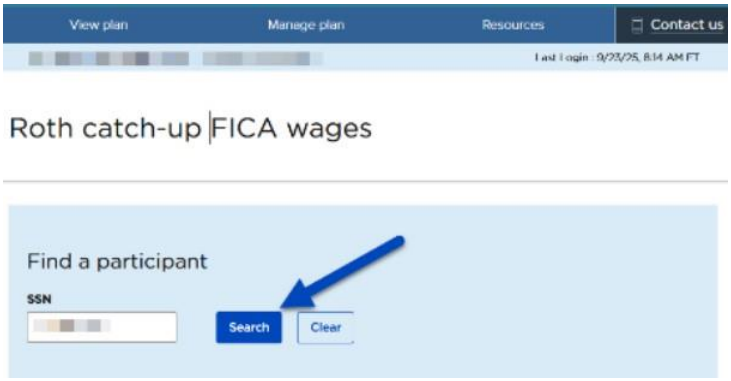
Follow the instructions below to add participant information manually. If you only have a few participants who are over age 50 and have earned over $150,000 in the prior year, you may want to utilize THE MANUAL ADD OPTION. *Note that you can also use this process to correct or update information for a single participant after uploading data*.



1. Log into the plan sponsor website. Select **Manage Plan** and then select **FICA Wages**.



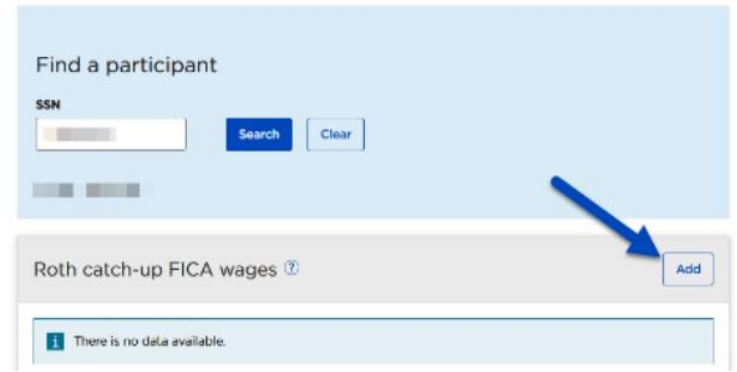
2. Select **Manually** enter information by participant.



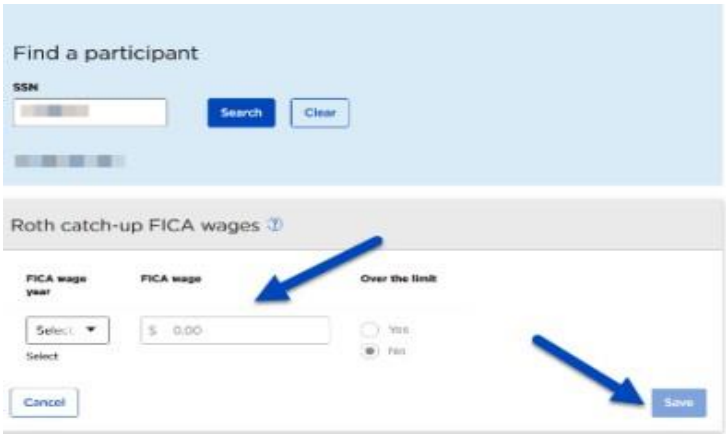
3. Enter the participant's **Social Security Number** and select **Search**.

(Continued on next page)

Roth catch-up FICA wages



4. Select **Add.**



5. Enter the **year** the wages were from. Then enter either the **FICA wage amount** or indicate whether the participant is **over the limit.** Select **Save**.

For additional information on submitting data for Roth Catch-Up Contributions for High Income Earners please visit our Plan Sponsor website at **nrsforu.com/plansponsor** and download the **ROTH CATCH-UP MANDATE TOOLKIT.**

Checklist for Plan Sponsors

1) Have you discussed the Secure 2.0 Section 603 Roth catch-up provision with your payroll organization or payroll software provider?

    - ☐ Yes
    - ☐ No; but I will reach out to our payroll provider to review this checklist

2) Plan Sponsors/employers have the responsibility to identify eligibility for catch-up contributions. Can you/your payroll system:

    - ☐ Identify impacted participants who earned more than $150,000 (indexed) in FICA wages in the previous year?
    - ☐ Restrict catch-up contributions to the Roth source for impacted participants who earned more than $150,000 (indexed) in FICA wages in the previous year?
    - ☐ Continue allowing pre-tax catch-up contributions for non-impacted participants who earned $150,000 (indexed) or less in FICA wages in the previous year?

Note: Information will be available on the website to educate participants on the new rule.

If you have any questions, please contact our payroll specialist:
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