RETIREMENT SYSTEM

Important Notice: 2026 Changes to 457(b) Contributions

Mandated by Section 603 of the SECURE 2.0 Act

Overview of the Change

Pursuant to federal law, the IRS now mandates a change in how "Catch-Up" contributions are processed for high-income earners.

Who is affected?

Participants whose prior year FICA wages (Box 3 of your W-2) were $150,000 or more and who are age 50 or older.

The Requirement:

If you meet the income threshold above, you must now submit any age-based catch-up contributions as Roth (after-tax) contributions.

2026 Contribution Limits

- **Regular Pre-Tax Limit:** You may contribute up to **$24,500** pre-tax.
- **Age 50+ Catch-Up:** The additional **$8,000** must be contributed as **Roth.** Total annual contribution potential: $32,500.
- **Age 60-63 Catch-Up:** The additional **$11,250** must be contributed as **Roth.** Total annual contribution potential: $35,750.
- **Special Pre-Retirement Catch up is exempt.**

How to Update Your Account

To ensure you maximize your contributions for 2026, follow these steps to adjust your split:

1. **Form Submission:** Complete and submit the 457(b) Plan Paycheck Contribution form to your payroll department.
2. **Enter Total:** On the first page of the form, check both the pre-tax and Roth options. **Add the monthly totals for each** (e.g., **$2,041 for pre-tax and $666 for Roth** to max out both.)
3. **Determine totals:** If your employer contributes to your account, please reduce your monthly contribution to take this into account.

307.777.3325

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retirement.wyo.gov
wrs.457pln@wyo.gov

Frequently Asked Questions (FAQ)

Q: Why is this change happening?

A: This is a federal requirement under the SECURE 2.0 Act. The law requires high-income participants to make catch-up contributions on an after-tax (Roth) basis.

Q: Does this affect my regular $24,500 contribution?

A: No. You can still contribute up to the regular limit on a pre-tax basis regardless of your income. Only the "Age Catch-Up" portion is impacted.

Q: What is the benefit of a Roth contribution?

A: While you pay taxes on the contribution now, the money grows tax-free. Qualified withdrawals in retirement will not be subject to federal income tax.

Q: Does the employer contribution count toward my limit?

A: Yes. The employer contribution is pre-tax, which is why the personal pre-tax contribution should be adjusted to avoid exceeding the $24,500 limit.

Q: What if I don't make the change?
A: If you exceed the $24,500 pre-tax limit and meet the income threshold, the funds that exceed the regular IRS limit will be non-compliant and corrections will have to be made. Updating your split now ensures your savings continue smoothly.