

ERISA Roundup

A quarterly recap of recent publications from
BDO's ERISA Center of Excellence

Q4 2025



A Note from BDO's ERISA Practice Leaders

As we shake off the winter chill and look ahead to spring, BDO's ERISA Center of Excellence has been hard at work preparing a fresh collection of insights on the latest developments in employee benefit plans.

In this edition of our ERISA Roundup, you'll find information on the EPCRS Updates, explore our Cost-of-Living Adjustments for 2026 and the updated Requirements Calendar, and do a deeper dive into the Roth Catch-up Regulations.

Staying current on ERISA topics is simplified with BDO: Follow along with our regular insights at our [BDO ERISA Center of Excellence](#). We welcome your feedback on our content at BDOTalksERISA@BDO.com.

BDO's ERISA Center of Excellence is your source for insights on emerging regulations, industry trends, current topics, and more. Visit us at www.bdo.com/erisa or follow along on X: [@BDO_USA](#) and [#BDOERISA](#).



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In this Issue

2026 Deadlines and Important Dates

4

Self-Correction Opportunities:
Understanding EPCRS Updates

8

Webinars

5

How Plan Sponsors Can Address
Roth Catch-up Regulations

10

2026 Cost-of-Living Adjustments for
Qualified Retirement Plans

7

IRS Issues Final Catch-Up Contribution
Regulations for Salary Deferrals in Retirement
Plans:What Employers Need to Know

13

2026 Deadlines and Important Dates

Sponsors of defined benefit and defined contribution retirement plans should keep the following deadlines and other important dates in mind as they work toward ensuring compliance for their plans in 2026. Dates assume a calendar year plan. Some deadlines may not apply, or dates may shift based on the plan sponsor's fiscal year. For additional support, please contact your BDO representative.

JANUARY

- ▶ **15 / Fund:** Possible fourth quarter 2025 contribution due for defined benefit pension plans.

FEBRUARY

- ▶ **2 / Action:** File IRS Form 945, Annual Return of Withheld Federal Income Tax for non-payroll income taxes, such as taxes withheld by retirement plans, during 2025.
- ▶ **2 / Action:** Distribute IRS Form 1099-R to participants for 2025 retirement plan distributions.
- ▶ **10 / Action:** File IRS Form 945 for 2025 non-payroll withholding if taxes were paid in full and deposited on time.

MARCH

- ▶ **15 / Action:** Highly compensated employees who fail ADP/ACP test for prior plan year must have refunds processed by March 15 (other than eligible automatic contribution arrangements).
- ▶ **15 / Fund:** Partnerships and S Corporations that are not getting an extension must fund employer contributions to receive tax deduction for the prior year.
- ▶ **31 / Action:** Deadline for electronic filing of Form 1099-R with the IRS.

APRIL

- ▶ **1 / Action:** April 1 deadline for 5% business owners and terminated participants who turned 73 in 2025 to receive their required minimum distribution (RMD).
- ▶ **15 / Fund:** Possible first quarter 2026 contribution due for defined benefit pension plans.
- ▶ **15 / Distribute:** Participants who contributed over 402(g) or 415 limits in the previous year must be refunded the excess amount by April 15.
- ▶ **15 / Action:** File PBGC Form 4010, Notice of Underfunding for single-employer defined benefit plans with more than \$15 million aggregate underfunding by April 15.
- ▶ **15 / Fund:** C-Corporations and Sole Proprietors that are not getting an extension must fund employer contributions by April 15 to receive tax deduction for the prior year.
- ▶ **15 / Fund:** IRA contributions for the prior tax year must be funded by April 15.
- ▶ **30 / Action:** Send annual funding notice to participants of single and multi-employer defined benefit plans over 100 participants by April 30.

UPCOMING WEBINAR

ERISA: Accounting, Audit, and Regulatory Updates Impacting Retirement Plans

WEDNESDAY, APRIL 1, 2026

2:00 PM ET

CPE Credit 1.0

Presented by:

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Join BDO and our thought leaders for a timely update on the most important developments affecting retirement plans. This webinar will explore recent changes in accounting standards, employee benefit plan audit considerations, and regulatory guidance that plan sponsors and fiduciaries need to understand. Attendees will walk away with practical insights to help navigate complexity, manage risk, and stay compliant in a rapidly evolving environment.

Learning Objectives:

- ▶ Identify impact of recent accounting developments on retirement plans.
- ▶ Discuss newly effective auditing standards on retirement plans.
- ▶ Demonstrate knowledge of legislative and regulatory changes impacting retirement plans.

ON-DEMAND WEBINAR

Navigating ERISA Compliance in 2025

TUESDAY, NOVEMBER 18, 2025

1:00 to 2:00 PM ET

CPE Credit 1.0

Presented by:

LINDA BAKER

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As regulatory complexity continues to evolve, retirement plan sponsors and fiduciaries must stay ahead of critical compliance deadlines and procedural updates. Join us for a timely and informative webinar that breaks down the latest guidance and practical implications of key ERISA developments.

We'll explore:

- ▶ **New Guidance on Roth Catch-Up Contributions:** Understand the new mandatory Roth treatment for catch-up contributions by high earners starting in 2026. Learn how plan sponsors can prepare for implementation, including payroll integration and participant communications.
- ▶ **DOL Delinquent Filer Voluntary Compliance Program (DFVCP):** Review recent changes to the DOL's on-line DFVCP platform for correcting late Form 5500 filings. Discover how the DFVCP offers relief and what changes may impact your filing strategy.
- ▶ **Plan Amendment Deadlines for Changes in the Law Since 2019:** Get clarity on mandatory amendment timelines and best practices for coordinating with service providers, for all changes in the law affecting tax-qualified retirement plans since 2019. We'll share actionable steps to streamline your amendment process and avoid last-minute compliance risks.
- ▶ **Record Retention Rule Reminders:** Revisit ERISA's recordkeeping requirements and learn how to align your retention policies with current enforcement expectations. We'll highlight common pitfalls and how to avoid them.

KEY TAKEAWAYS INCLUDE:

- ▶ Review mandatory Roth treatment for catch-up contributions by high earners starting in 2026. List what service providers and plan sponsors must do now to prepare for implementation and identify best practices for ongoing compliance.
- ▶ Identify how to leverage the DOL's (DFVCP) to correct late Form 5500 filings and avoid escalating penalties. We'll share recent enforcement trends and practical tips for timely compliance.
- ▶ Review the IRS-mandated deadlines for plan amendments for changes in law since 2019 including the CARES Act, SECURE 1.0 Act and SECURE 2.0 Act. Discover how to coordinate with third-party vendors and internal stakeholders to ensure timely adoption and avoid disqualification risks

2026 Cost-of-Living Adjustments for Qualified Retirement Plans

BDO presents a highlights summary of the significant cost-of-living adjustments (COLA) effective for 2026. These adjustments recently announced by the Internal Revenue Service (IRS) and the Social Security Administration (SSA) have a wide-ranging impact, including the savings rate for retirement plans. BDO will continue to provide updates on regulatory matters impacting retirement plans in the coming year – to sign up for BDO newsletters and other insights, visit the [ERISA Center of Excellence](#).

CODE SECTION	2026	2025	2024
401(a)(17) /404(l) Annual Compensation	\$360,000	\$350,000	\$345,000
402(g)(1) Elective Deferrals	\$24,500	\$23,500	\$23,000
408(k)(2)(C) SEP Minimum Compensation	\$800	\$750	\$750
408(k)(3)(C) SEP Maximum Compensation	\$360,000	\$350,000	\$345,000
408(p)(2)(E) SIMPLE Maximum Contributions	\$17,000	\$16,500	\$16,000
409(o)(1)(C)(ii) ESOP Limits	\$1,455,000	\$1,415,000	\$1,380,000
	\$290,000	\$280,000	\$275,000
414(q)(1)(B) HCE Threshold	\$160,000	\$160,000	\$155,000
414(v)(2)(B)(i) Catch-up Contributions	\$8,000	\$7,500	\$7,500
414(v)(2)(B)(ii) Catch-up Contributions	\$4,000	\$3,500	\$3,500
414(v)(2)(B)(iii) SIMPLE IRAs under 408(p) Age 50+ Catch-up Contributions	\$3,850	\$3,850	
414(v)(2)(E)(i) Super Catch-up Contributions Regular Age 60-63 Super Catch-up Contributions	\$11,250	\$11,250	\$7,500
414(v)(2)(E)(ii) Catch-up Contributions SIMPLE Plans and IRAs Age 60-63 Super Catch-up Contributions	\$5,250	\$5,250	
414(v)(7)(A) Roth Catch-up Wage Threshold	\$150,000	\$150,000	\$145,000
415(b)(1)(A) DB Limits	\$290,000	\$280,000	\$275,000
415(c)(1)(A) DC Limits	\$72,000	\$70,000	\$69,000
416(i)(1)(A)(i) Key Employee	\$235,000	\$230,000	\$220,000

BDO works collaboratively with clients to test retirement plan limits while performing an audit of the qualified retirement plan. For more information about our ERISA audit services, plan administration and actuarial services, visit [BDO's Employee Benefit Plan Audits](#).

Self-Correction Opportunities: Understanding EPCRS Updates

SELF-CORRECTION PROGRAMS

EPCRS

(Employee Plans Compliance Resolution System)

- ▶ **Agency:** Internal Revenue Service
- ▶ **Purpose:** Correcting eligible plan qualification errors
- ▶ [EPCRS overview | Internal Revenue Service](#)

VFCP

(Voluntary Fiduciary Correction Program)

- ▶ **Agency:** U.S. Department of Labor
- ▶ **Purpose:** Correcting certain fiduciary violations, including certain prohibited transactions
- ▶ [Voluntary Fiduciary Correction Program Fact Sheet](#)

DFVCP

(Delinquent Filer Voluntary Compliance Program)

- ▶ **Agency:** U.S. Department of Labor
- ▶ **Purpose:** Correcting late or missing Form 5500 filings
- ▶ [Delinquent Filer Voluntary Compliance \(DFVC\) Program | U.S. Department of Labor](#)

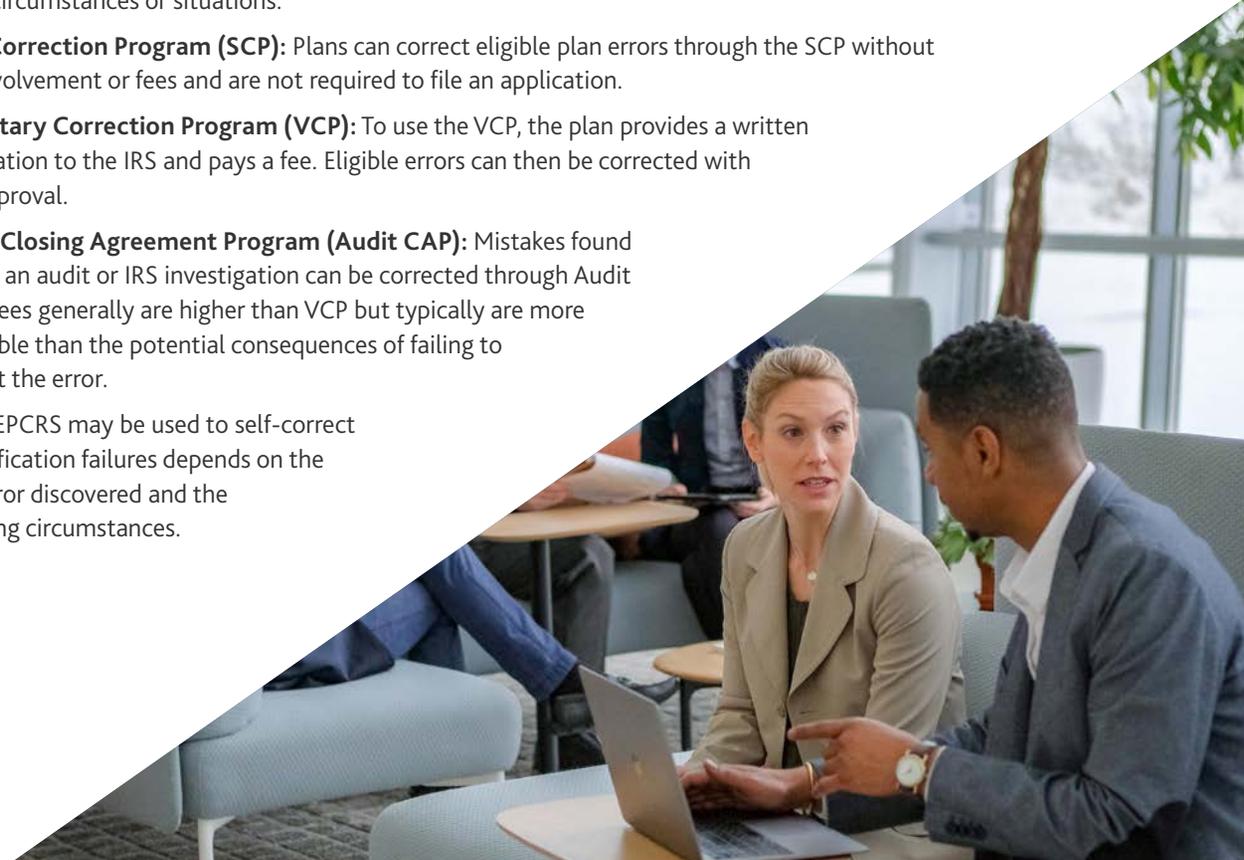
EPCRS FUNDAMENTALS AND PRACTICAL BENEFITS

The Employee Retirement Income Security Act of 1974 (ERISA) sets standards for many tax-qualified retirement plans offered in the private sector. The Internal Revenue Service (IRS) and Department of Labor (DOL) enforce ERISA provisions and plan compliance with reporting requirements. Each agency offers self-correction programs, with the IRS administering EPCRS.

The SECURE 2.0 Act of 2022 (SECURE 2.0) expanded EPCRS, allowing self-correction of certain eligible inadvertent failures and extending the timeline for correction from three years to a reasonable period after the mistake is discovered. Plans seeking to remediate errors through EPCRS may choose from [three options](#), each tailored to different circumstances or situations:

- ▶ **Self-Correction Program (SCP):** Plans can correct eligible plan errors through the SCP without IRS involvement or fees and are not required to file an application.
- ▶ **Voluntary Correction Program (VCP):** To use the VCP, the plan provides a written application to the IRS and pays a fee. Eligible errors can then be corrected with IRS approval.
- ▶ **Audit Closing Agreement Program (Audit CAP):** Mistakes found during an audit or IRS investigation can be corrected through Audit CAP. Fees generally are higher than VCP but typically are more favorable than the potential consequences of failing to correct the error.

Whether EPCRS may be used to self-correct plan qualification failures depends on the type of error discovered and the surrounding circumstances.



ERRORS ELIGIBLE FOR SELF-CORRECTION

EPCRS applies to all “eligible inadvertent failures.” For fiduciaries responsible for plan operations and maintenance, the question becomes: “What constitutes an eligible inadvertent failure?” Such an error “is an [operational, document or demographic failure](#) that violates the IRS qualification requirements” that occurs despite the plan’s thorough and rigorous oversight. This term does not include actions that constitute flagrant errors, diversion or misuse of plan assets, or participation in abusive tax avoidance transactions.

Currently, some of the eligible inadvertent failures listed in SECURE 2.0 cannot be self-corrected through EPCRS. These include:

- ▶ Failure to initially adopt a written plan
- ▶ Correction of an operational failure by plan amendment that conforms the plan document to the plan’s prior operations in a manner that is less favorable for a participant or beneficiary than the original plan terms
- ▶ Significant failures in a terminated plan
- ▶ Certain demographic failures
- ▶ Failures in orphan (abandoned) plans
- ▶ Employee stock ownership plan (ESOP) failures involving IRC Section 409
- ▶ Excess contributions to a SEP or SIMPLE IRA that allows the excess to remain in the plan
- ▶ Failures in SEPs or SIMPLE IRAs that do not use the IRS model plan documents and even for model plans when excess contributions remain in the IRA account

Identifying errors and choosing the best path to remediation is challenging, especially as laws evolve. Implementing proactive policies that promote constant oversight of plan documents and operations can be an effective way to support this important responsibility.

BEST PRACTICES TO FOLLOW WHEN USING EPCRS

Reaping the benefits of self-correction requires both proactive and reactive measures. The following best practices can help plan sponsors identify and correct errors, as well as serving as preventive measures:

- ▶ **Assess Initial Plan Qualification:** Confirm that the plan meets all IRS qualification requirements for a tax-qualified retirement plan.
- ▶ **Set Up Error Identification Processes:** Develop and implement procedures that promote ongoing review of plan documents and operations. Train fiduciaries and third-party providers on plan requirements to help mitigate the risk of future errors.
- ▶ **Avert Disclosure Pitfalls:** Avoid mentioning potential self-correction in your financial statements and disclosures unless corrective action is already being taken.
- ▶ **Choose the Right Self-Correction Program:** Once an error has been discovered, evaluate it thoroughly to determine whether it qualifies for self-correction. Remember that only errors related to plan qualification can be corrected through the EPCRS.
- ▶ **Watch the Timing:** Correct eligible inadvertent errors within a reasonable time, which is generally 18 months after the plan identifies the failure.
- ▶ **Line Up Documentation:** When self-correcting through the EPCRS, maintain thorough documentation that confirms attempted correction and compliance.

Finding an error that could disqualify an ERISA plan is alarming but can be managed when plan fiduciaries take prompt and thorough action.

SELF-CORRECTING ERISA PLAN ERRORS IS CHALLENGING. BDO CAN HELP.

There’s one final tip about self-correcting: know when to ask for help. Navigating the steps from plan qualification to resolution of errors that can result in disqualification is not easy. Our [Employee Benefit Plan Audit](#) and [Global Employer Services](#) teams can help review your plan, assist with plan amendments, and guide you through the appropriate self-correction process. Please contact us for more information.

How Plan Sponsors Can Address Roth Catch-up Regulations

HIGHLIGHTS FROM THE ROTH CATCH-UP CONTRIBUTION REGULATIONS

Key Dates

- ▶ **Sept. 16, 2025:** IRS released the final regulations on Roth catch-up contributions under SECURE 2.0.
 - Note: SIMPLE IRA plans are not subject to the Roth catch-up regulations.
- ▶ **Jan. 1, 2026:** New SECURE 2.0 catch-up rules took effect on January 1, 2024, but the IRS delayed compliance until January 1, 2026.
- ▶ **Dec. 31, 2026:** Plan amendment deadline for qualified plans.
- ▶ **Dec. 31, 2028:** Plan amendment deadline for union plans and those under collective bargaining agreements.
- ▶ **Dec. 31, 2029:** Plan amendment deadline for governmental plans and 403(b) plans sponsored by public schools.

Eligible Plans and Participants

- ▶ **401(k), 403(b), governmental 457(b):** New Roth catch-up regulations affect these retirement plans.
- ▶ **50+:** Participants age 50 or older can contribute more than the plan limits.
- ▶ **60, 61, 62, 63:** Ages at which participants are eligible to make super catch-up contributions.
- ▶ **\$150,000:** Employees age 50 or older that earn \$150,000 or more in 2025 Social Security wages (Box 3 of Form W-2) (i.e., "highly paid participants" or HPPs) are required to make any catch-up contributions as Roth contributions (after-tax instead of pre-tax).

Contribution Limits

- ▶ **\$24,500 (2026):** General limit on salary deferrals for 2026.
- ▶ **\$72,000 (2026):** Annual defined contribution limit.
- ▶ **\$8,000 (2026):** Standard catch-up contribution limit.
- ▶ **\$11,250 (2026):** Contribution limit for super catch-up contributions.



The [final Roth catch-up regulations](#) the IRS issued on Sept. 16 are in effect, detailing SECURE 2.0's requirements and deadlines for most ERISA-based retirement plans. However, it is important to note that SIMPLE IRA plans and self-employed individuals are not subject to these regulations. Plan sponsors should act **now** to determine how the new regulations affect their plans and take steps to comply.

The IRS will allow 2026 to be a "gap year," allowing plan sponsors time to adjust to the new catch-up requirements, since the IRS did not extend the non-enforcement transition period that ends on December 31, 2025. During 2026, plan sponsors will be required to demonstrate a reasonable, good faith interpretation of the SECURE 2.0 changes, but stricter compliance enforcement begins on January 1, 2027.

Most plans must be amended to comply with the new requirements by **December 31, 2026**, regardless of whether the plan operates on a fiscal year or calendar year basis. The 12-month runway to the new amendment date may seem long, but most plan sponsors will need to coordinate with third parties — such as payroll providers, advisors, legal counsel, or recordkeepers — each with their own priorities and timelines. Additionally, plan sponsors must not only understand how the rules affect their plans but also explain these changes effectively to plan participants.

This article offers five steps for plan sponsors to consider as they implement Roth catch-up contribution requirements. For more information about these regulations, please review [IRS Final Catch-Up Contribution Regulations for Salary Deferrals in Retirement Plans: What Employers Need to Know](#).

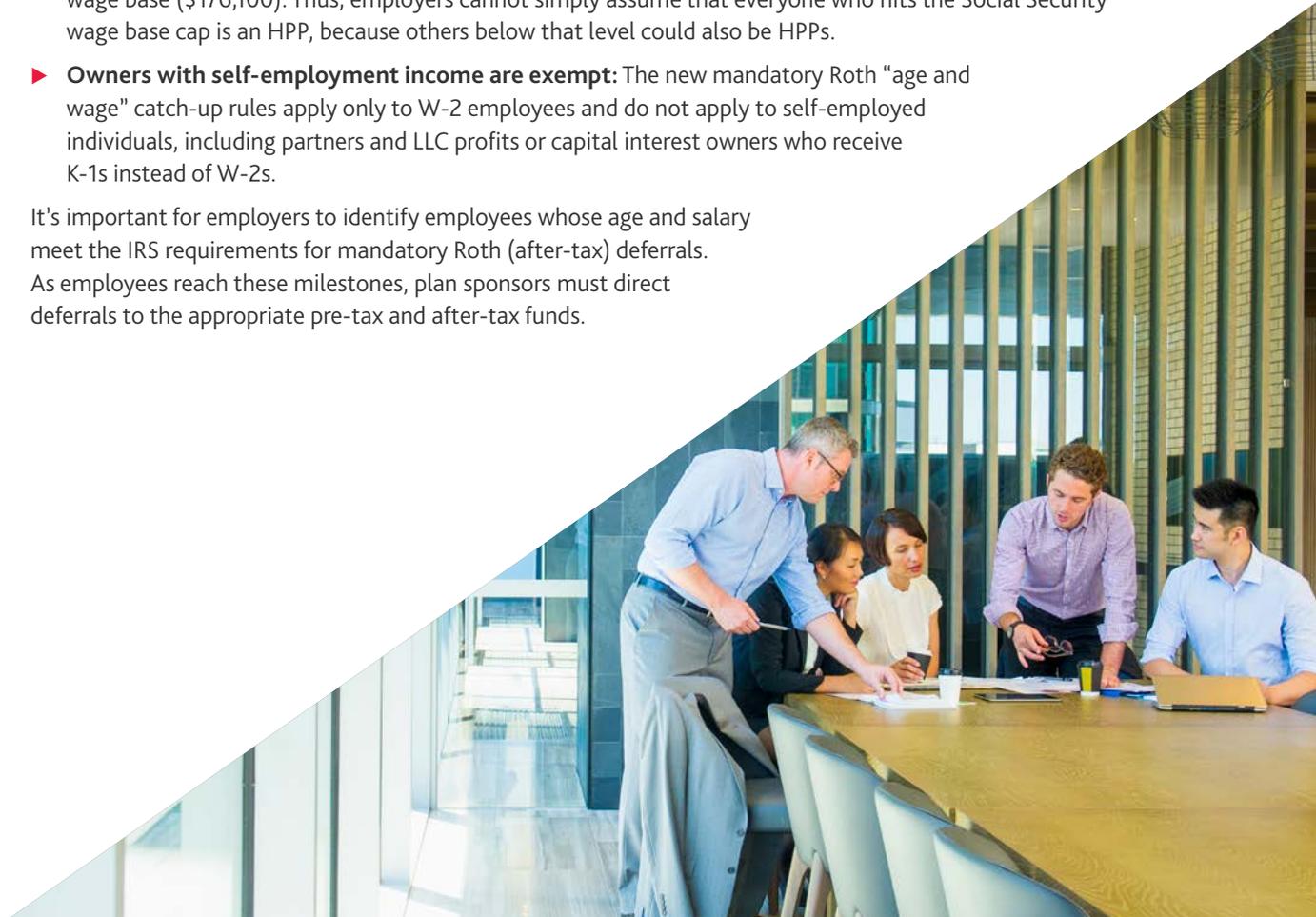
1. Identifying Eligible Participants

Are any of the company's employees eligible for Roth catch-ups or super catch-ups?

Eligibility may not be immediately apparent, and several considerations are at play:

- ▶ **Age:** Employees age 50 or older can make additional deferrals to their retirement plans beyond the typical contribution limit. Super catch-ups are available to employees in the calendar year they reach age 60, 61, 62, or 63.
- ▶ **Prior-year wages:** Employees whose 2025 Social Security wages exceed \$150,000 are considered highly paid participants (HPPs). This is not simply another name for highly compensated employees (HCEs): it's a completely new classification. In addition, the HPP prior-year Social Security wage limit is a new data point that employers never had to track before. The HPP Social Security wage limit (\$150,000) is lower than the 2025 Social Security wage base (\$176,100). Thus, employers cannot simply assume that everyone who hits the Social Security wage base cap is an HPP, because others below that level could also be HPPs.
- ▶ **Owners with self-employment income are exempt:** The new mandatory Roth "age and wage" catch-up rules apply only to W-2 employees and do not apply to self-employed individuals, including partners and LLC profits or capital interest owners who receive K-1s instead of W-2s.

It's important for employers to identify employees whose age and salary meet the IRS requirements for mandatory Roth (after-tax) deferrals. As employees reach these milestones, plan sponsors must direct deferrals to the appropriate pre-tax and after-tax funds.



2. Updating Payroll and Plan Systems

What steps should employers take to comply with the new Roth catch-up contribution regulations?

Employers should immediately discuss the new IRS guidance with payroll providers, recordkeepers, and any other critical stakeholders. To help verify compliance with SECURE 2.0 Roth catch-up deferral regulations, employers can take the following steps:

- ▶ Evaluate the payroll system to determine if it can track employee eligibility.
- ▶ Establish procedures to accurately process Roth catch-up contributions.
- ▶ Monitor contribution limits, participant ages, and participant salaries continuously.
- ▶ Communicate regularly with payroll providers and third-party administrators to assess the efficiency and accuracy of the new processes.

Plan participants may be unaware of changes to their retirement plans. It's critical to inform participants about how the Roth catch-up provisions may affect them.

3. Communicating with Participants

Do employers need to notify participants of the new Roth catch-up regulations?

Employees who prefer to make pre-tax rather than after-tax contributions to their retirement plan may find the new SECURE 2.0 regulations an unwelcome surprise. Employers are strongly encouraged to inform participants that, based on their age and Social Security wages, their catch-up contributions may automatically be treated as Roth (after-tax) contributions.

Communications to plan participants should provide them the opportunity to make an informed decision about their deferral elections.

4. Amending Plan Documents

When should employers amend plan documents?

Conversations about plan amendments should begin immediately. A thorough review of plan provisions will reveal the extent of any changes needed, including those related to the Roth catch-up regulations. For example, what if a company's current plan doesn't offer Roth contributions as an option? To allow HPPs to make catch-up contributions, the plan sponsor must amend the plan document to allow Roth contributions from all eligible employees.

Typically, amending an ERISA retirement plan may involve coordinating with other entities, including third-party administrators and payroll providers. Adapting to another organization's timelines and priorities can extend the process — another good reason to start reviewing your company's plan now. Doing so can help plan sponsors comply before deadlines approach and reduce errors that may occur if amendments are rushed at the last minute.

5. Remaining Up to Date

How can the company continue to maintain compliance with Roth catch-up regulations?

As these rules evolve, administrative burdens on employers and plan sponsors could shift. It's important to monitor new guidance or updates from the IRS, as these may require employers and plan administrators to take additional action.



IRS Issues Final Catch-Up Contribution Regulations for Salary Deferrals in Retirement Plans: What Employers Need to Know

The IRS released [final regulations on September 16, 2025](#), that significantly impact catch-up contributions for employees making salary deferrals into 401(k), 403(b), or governmental 457(b) retirement plans. Catch-up contributions are amounts that employees who are age 50 or older may contribute to tax-favored workplace retirement plans above and beyond other IRS or plan limits.

Catch-up contributions are allowed when a participant's contributions exceed a statutory limit, such as the annual limit on salary deferrals. For 2025, the general limit on employee salary deferrals is \$23,500 (projected to increase to \$24,000 for 2026). Catch-up contributions are also allowed if a participant's contributions exceed the annual limit on annual additions (i.e., employee and employer contributions, plus allocations of forfeitures). For 2025, the annual addition limit is \$70,000 (projected to increase to \$72,000 or \$73,000 for 2026). Catch-up contributions are also allowed if a participant's contributions exceed a limit set out in the plan document or if nondiscrimination testing failures are recharacterized as catch-up contributions.

For 2025, the standard catch-up contribution limit is \$7,500 (projected to increase to \$8,000 for 2026). The changes introduced by the final regulations are designed to clarify and implement provisions from the SECURE 2.0 Act, which was enacted to enhance retirement savings opportunities.

The final regulations address the new "age and wage" SECURE 2.0 catch-up rules that apply starting January 1, 2026. Under those rules, employees age 50 or older earning over \$145,000 (indexed) in the prior year who make catch-up contributions in the current year must treat those contributions as Roth (after-tax) instead of pre-tax contributions. Previously, employees could elect to make catch-up contributions on either a pre-tax or Roth basis, depending on plan design. Generally, distributions of Roth amounts (including any earnings thereon) are tax-free if certain other requirements are met. Note that some plans allow non-Roth after-tax contributions, but the mandatory Roth treatment for catch-up contributions does not affect those non-Roth after-tax contributions.

The regulations also discuss another new SECURE 2.0 rule that, starting January 1, 2025, allows participants who are age 60, 61, 62, or 63 during the calendar year to make increased "super" catch-up contributions, regardless of their income. For 2025, the super catch-up limit is \$11,250 for 401(k), 403(b), and governmental 457(b) plans, which is projected to increase to \$12,000 for 2026. Smaller limits apply to SIMPLE plans. Note that if the participant earns over \$145,000 (indexed) in the prior year, then the super catch-ups must be Roth (after-tax, not pre-tax). Plans are not required to offer super catch-ups.

These changes are designed to help older workers boost their retirement savings in the years leading up to retirement. Below is a summary of the key provisions and practical steps employers should take.

KEY HIGHLIGHTS OF THE MANDATORY ROTH CATCH-UP RULES

High Earners

Who's affected?

Employees aged 50 or older whose prior calendar year FICA wages exceed \$145,000 (indexed for inflation, with increases required to be made in \$5,000 increments). The \$145,000 (indexed) is not prorated for partial years of employment. For example, an employee who is hired on October 1 at a \$200,000 annual salary will not be subject to the Roth catch-up rule in the following year because the employee's FICA wages for the look-back calendar year are only \$50,000.

Employers would use Box 3 (Social Security wages) of the 2025 Form W-2 to determine if an employee's 2025 wages trigger the new rule. Note that this is a new data point that employers and plans have never had to track before.

Self-employed individuals who do not have FICA wages (such as partners who get guaranteed income reported on a K-1 and not on Form W-2) are not subject to the mandatory Roth catch-up requirement.

What's required?

Catch-up contributions for these employees must be made on a Roth (after-tax) basis, not pre-tax. Note that this rule is based on the calendar year, not on the plan year.

Which plans are affected?

Generally, 401(k), 403(b), and governmental 457(b) plans are subject to the new Roth catch-up mandate, but SIMPLE IRAs and SEP IRAs are not subject to the new rules. All employees with a SIMPLE IRA plan, regardless of their income, can continue to make catch-up contributions on a pre-tax basis. SEP IRAs are funded solely by employer contributions and do not allow employee elective deferrals or catch-up contributions.

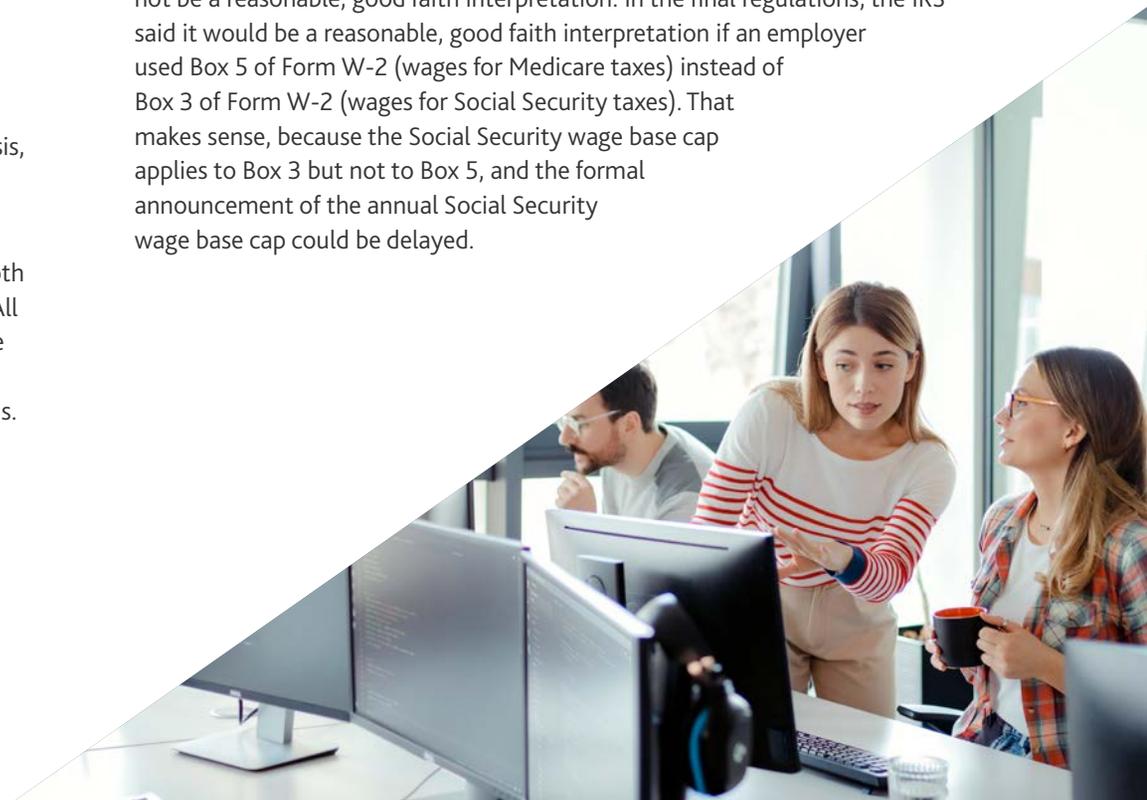
Administrative Relief and Transition Period

When are the New Rules Effective?

The IRS has provided a transition period for the first two taxable years beginning after December 31, 2023, allowing plan sponsors additional time to update payroll systems and plan documents. Technically, the final regulations are not effective until taxable years beginning after December 31, 2026, but the statutory provision is effective for taxable years beginning after December 31, 2025, for most employers (collectively bargained and governmental plans have until 2027), since the IRS has not extended the administrative transition period. Therefore, most employers must apply a reasonable, good faith interpretation of the SECURE 2.0 change in the law during the 2026 gap year.

What Does Reasonable, Good Faith Mean?

Ignoring the requirement for mandatory Roth catch-up contributions would not be a reasonable, good faith interpretation. In the final regulations, the IRS said it would be a reasonable, good faith interpretation if an employer used Box 5 of Form W-2 (wages for Medicare taxes) instead of Box 3 of Form W-2 (wages for Social Security taxes). That makes sense, because the Social Security wage base cap applies to Box 3 but not to Box 5, and the formal announcement of the annual Social Security wage base cap could be delayed.



What Should Employers Do Now?

Employers are encouraged to use this period to coordinate with payroll providers and recordkeepers to verify compliance.

To ease the administrative burden of complying with the new rule, many payroll providers and recordkeepers will use a “deemed Roth catch-up contribution election” whereby any employee who is subject to the mandatory Roth catch-up rules is deemed to have irrevocably designated any elective deferrals that are catch-up contributions as designated Roth contributions. In that case, the amount of the Roth catch-up contribution will be treated by the employer as taxable wages. Employees must be provided with an effective opportunity to make a new election that is different from the deemed election. These provisions must be included in the plan document no later than the required plan amendment deadline (see discussion below).

Other developing compliance methods include “spill over” elections (automatically converts to Roth when necessary for all participants), separate elections, or disallowing Roth elections. There are pros and cons for each of those options.

Employers need to consider what will happen to existing catch-up elections and whether new elections will be advisable.

The final rules confirmed that plans are not permitted to require that all catch-ups must be Roth. That means that participants age 50 or older and earning less than \$145,000 (indexed) in the prior calendar year are permitted to choose whether their catch-up contributions will be pre-tax or Roth.

Complexities arise when an employer has multiple workplace retirement plans or is part of a controlled or affiliated service group. Generally, the relevant employer for determining the employee’s FICA wages is the common law employer of the plan participant. The final regulations address many of those issues, but careful thought and planning is needed, raising novel payroll and plan administration questions that have never been addressed previously.

How to Correct Failures to Comply?

The final regulations set out two methods for correcting failures to comply with the mandatory Roth catch-up rules – either (i) making tax corrections on participants’ Form W-2 or (ii) making an in-plan Roth rollover, so long as the correction is made no later than the last day of the tax year following the tax year for which the elective deferral was made. However, no correction is needed if the amount of the pre-tax elective deferral that was required to be a Roth catch-up does not exceed \$250. Further, no correction is needed if the participant became subject to the Roth catch-up rule based solely on wages reported on an amended Form W-2 after the last day of the year after the year for which the deferral was made. Note that all similarly situated participants must be treated the same, so if a plan corrects Form W-2 for one participant, it cannot use an in-plan Roth rollover for other participants. As a prerequisite to using either correction method, the plan must have in place practices and procedures designed to result in compliance with the mandatory Roth catch-up rules at the time the deferral is made.



KEY PROVISIONS OF THE OPTIONAL HIGHER CATCH-UP RULES FOR AGES 60-63

Higher Catch-Up Limits for Ages 60-63

- ▶ **Who qualifies?** Participants who turn 60, 61, 62, or 63 during the calendar year. Note that this rule is based on the calendar year, not on the plan year.
- ▶ **What's new?** For these participants, the annual catch-up contribution limit is increased above the standard age 50 catch-up limit.
- ▶ **2026 limits:** For calendar years beginning in 2025, the increased catch-up limit is the greater of: (i) \$10,000 (indexed for inflation), or (ii) 150% of the regular age 50 catch-up limit for the year (also indexed).

Plans Covered

- ▶ Applies to 401(k), 403(b), and governmental 457(b) plans. If any plans within the controlled group provide for super catch-up contributions, then all plans within the controlled group must also allow them. This is known as the "universal availability" rule for super catch-ups.
- ▶ SIMPLE IRA and SIMPLE 401(k) plans have a separate, increased catch-up limit for ages 60-63.

Coordination with Standard Catch-Up

- ▶ Participants age 50 and older may make catch-up contributions, but those age 60-63 may use the higher limit to make "super" catch-up contributions.
- ▶ The increased limit applies only for the calendar years in which the participant is age 60, 61, 62, or 63.

Plan Amendment Deadlines

- ▶ Most plans must be amended to reflect the new Roth and super catch-up requirements by December 31, 2026, regardless of whether they operate on a fiscal year basis. Later deadlines apply to collectively bargained plans (December 31, 2028) and governmental plans (December 31, 2029). The final regulations clarified that amending a fiscal year safe harbor plan midyear to comply with the new catch-up rules is not prohibited.
- ▶ Employers should work with their plan advisors and legal counsel to make timely amendments. Employers should verify that payroll and recordkeeping systems are updated to track participants' ages and apply the correct limits.



ACTION STEPS FOR EMPLOYERS

1. Review Employee Data

Identify employees who are age 50 and older during the plan year and who are likely to exceed the \$145,000 (indexed) FICA wage threshold and communicate upcoming changes to catch-up contribution rules. Review plan data to determine which employees will be eligible for the increased super catch-up limits each year.

2. Update Payroll and Plan Systems

Coordinate with payroll providers and recordkeepers to confirm that systems can track eligibility and process Roth catch-ups (based on ages and wages) and super catch-ups (based on age only). Coordination among stakeholders and proactive monitoring of contribution limits is critical. Employers will need to manage plan design variability across plans within its controlled or affiliated service group and across payroll providers. For example, employers using multiple payroll systems and third-party administrators might want to arrange standing, periodic meetings to confirm consistent application of Roth and super catch-up contributions across all vendors.

3. Communicate with Participants

Develop clear communications for affected employees, explaining the Roth catch-up requirement, the optional super catch-ups, and their potential impact on their retirement savings.

4. Amend Plan Documents

Work with plan advisors to draft and adopt necessary plan amendments before the deadline.

5. Monitor Guidance

Stay alert for any additional IRS guidance or clarifications, especially regarding operational issues and reporting requirements.



FREQUENTLY ASKED QUESTIONS

▶ **What if my plan does not currently offer Roth contributions?**

Plans must be amended to allow Roth contributions if catch-up contributions are offered to high earners. If the plan does not allow Roth contributions, then high earners cannot make catch-up contributions. All eligible participants must have the opportunity to elect Roth catch-ups (in other words, the plan cannot limit Roth catch-ups only to participants who are age 50 or older and make above the \$145,000 wage limit, as adjusted).

▶ **How is the \$145,000 threshold determined?**

The threshold is based on prior calendar year FICA wages, including all compensation subject to Social Security taxes, regardless of whether the plan operates on a fiscal year basis.

▶ **What happens if an employer fails to comply with the mandatory Roth catch-up rules?**

Noncompliance may result in plan disqualification. Employers should prioritize timely updates and communication.

▶ **Do the mandatory Roth catch-up rules apply to the special 15-year catch-up rule for 403(b) plans?**

No, the special 15-year catch-up contributions to 403(b) plans are not affected by the new mandatory Roth catch-up rule.

▶ **Do the mandatory Roth catch-up rules apply to the special catch-up contributions to 457(b) plans during the last three years before normal retirement age?**

No, the special catch-up contributions to 457(b) plans during the last three years of employment before retirement are not affected by the new Roth catch-up rules.

▶ **Can participants age 64 or older use the increased super catch-up limit?**

No. The increased limit applies only to participants who are age 60, 61, 62, or 63 during the calendar year.

▶ **Is the increased super catch-up limit available for both traditional and Roth contributions?**

Yes, provided the plan allows Roth contributions and the employee's wages do not exceed the \$145,000 (indexed) threshold, which would trigger the Roth catch-up mandate.

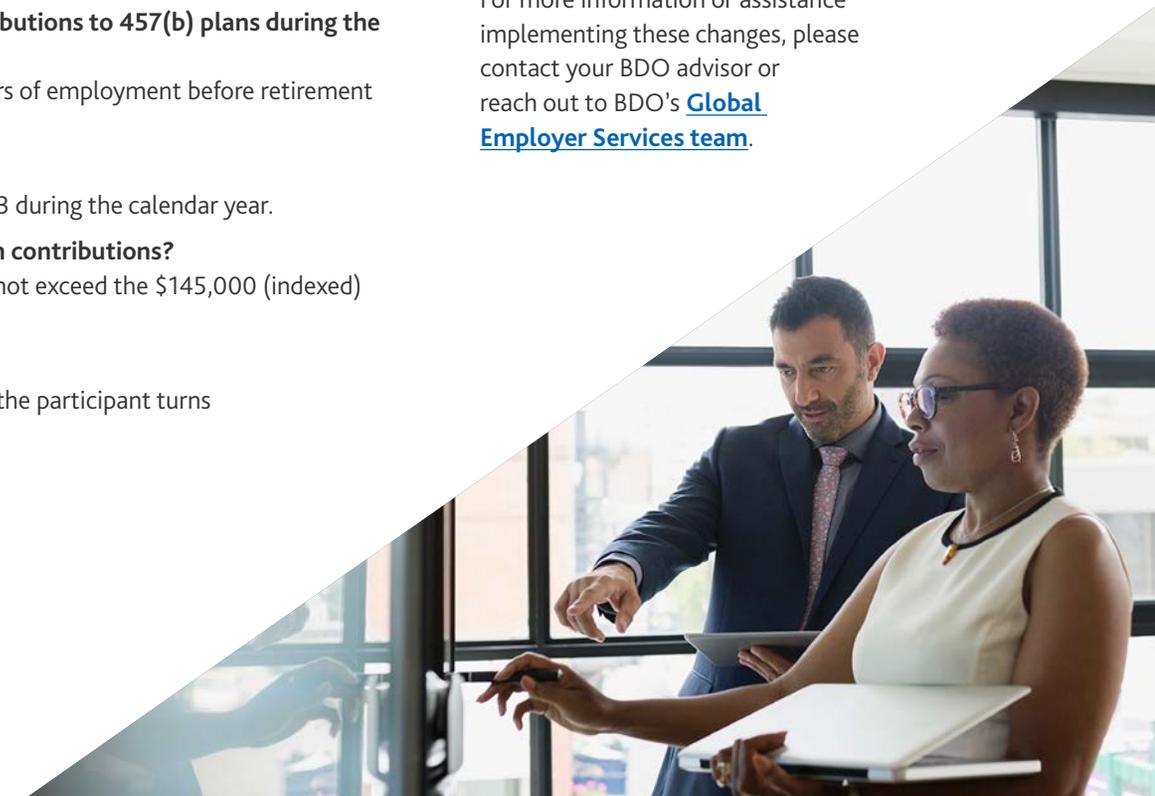
▶ **What happens if a participant turns 60 midyear?**

The increased super catch-up limit applies for the entire calendar year in which the participant turns 60, 61, 62, or 63.

CONCLUSION

The IRS's final catch-up regulations represent a significant change for retirement plan administration, particularly for employers with employees who are age 50 or older and earning over \$145,000 (indexed) or age 60-63, regardless of income. The new rules impose administrative burdens and complexities for employers, payroll providers, and plan administrators. Early preparation and proactive communication are essential to support compliance and assist employees to enhance their retirement savings. Employers should act now to update systems, communicate with employees, and prepare to amend plan documents to ensure compliance and maximize participant benefits.

For more information or assistance implementing these changes, please contact your BDO advisor or reach out to BDO's [Global Employer Services team](#).



How BDO Can Help

The Roth catch-up regulations pose a significant challenge for plan sponsors, especially because failure to comply could result in plan disqualification. Our team can assess your company's plan, provide actionable guidance, and help you achieve and maintain compliance while supporting employee retirement planning.

BDO's ERISA Center of Excellence brings together professionals from both tax and assurance, including Global Employer Services and Employee Benefit Plan Audits, to work collaboratively with clients. We provide comprehensive audit and advisory services for qualified retirement plans, help test plan limits, and support plan administration. For more information about our ERISA-related audit, tax, and consulting services, visit [BDO's ERISA Center of Excellence](#).



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