

# Benefits Report November 2025

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## To Deem or Not to Deem: Navigating Deemed Roth Catch-Up Elections – A Practical Guide



T. Katuri Kaye

The SECURE 2.0 Act of 2022 (SECURE 2.0) introduced significant changes to age 50 catch-up contributions for participants in 401(k), 403(b), and governmental 457(b) plans. Among those changes, Section 603 of SECURE 2.0 mandates that participants age 50 or older who meet a new high-earner threshold must make catch-up contributions on a designated Roth basis (the “Roth Catch-up Rule”). A “high earner” is someone who has FICA wages in the prior year in excess of a specified dollar limit. The Internal Revenue Service (IRS) recently published that that dollar limit is \$150,000 for 2025, and that amount is to be used in determining who is a high earner for 2026. The IRS and the Department of Treasury (the “Treasury”) issued final regulations on September 15, 2025, clarifying many aspects of the Roth Catch-up Rule. These rules are discussed in our October 2, 2025, Special Bulletin titled *The Roth Catch-Up Regulations are Final: What You Need to Know!* (<https://www.truckerhuss.com/newsletter/roth-catchup-regulations/>). These final regulations are generally effective for contributions beginning January 1, 2027, though reasonable, good-faith compliance with new rules is required before that date. The Roth Catch-up Rule itself applies to taxable years beginning January 1, 2026.

As employers, payroll providers, recordkeepers and plan administrators prepare for the 2026 Roth Catch-up Rule implementation deadline, a key plan decision is whether to adopt the optional “deemed” Roth election provision. That provision allows employers to automatically treat catch up contributions of high earners as Roth contributions, once they reach the applicable annual elective deferral limit.

The following Frequently Asked Questions address the scope and application of the deemed Roth election provision, including benefits and drawbacks of adopting this plan design provision.

## **Frequently Asked Questions**

### **1. *What is the deemed Roth election provision?***

The deemed Roth election provision is an optional plan feature. Once a participant is subject to the Roth Catch-up Rule (i.e., the participant reaches the annual elective deferral limit under Section 401(a)(30) of the Internal Revenue Code (“Code”)), the plan may automatically treat (deem) any additional contributions (i.e., catch-up contributions) as designated Roth contributions. This provision is intended to simplify compliance with the Roth Catch-up Rule by eliminating the need for participants to affirmatively elect Roth catch-up contributions; this is especially helpful for plans that use a spillover design (explained below) and, thus, do not require a separate elections for catch-up contributions).

Under a spillover structure, the participant elects one deferral percentage or dollar amount. Once the participant reaches the annual Code Section 401(a)(30) limit, any additional elective amounts automatically become catch-up contributions. For high earners subject to the deemed Roth election provision, spillover designs funnel excess amounts into Roth catch-up contributions without requiring an additional election. As a result, the contribution flow is predictable, especially where the plan applies the deemed Roth election based on combined pre-tax and Roth elective deferrals. Applying the deemed Roth election based on pre-tax elective deferrals only may also be advantageous to participants who desire to max-out their pre-tax contributions for the year. However, this may impose more rigorous monitoring of Roth regular deferrals made throughout the year to determine if any year-end corrections of Roth contributions that will be required.

Conversely, under a separate election structure, the participant affirmatively elects a separate amount for regular elective deferrals and a separate amount for catch-up contributions. Because the catch-up is a distinct election, most plans would implement the deemed Roth election provision as of the first payroll of the year for participants who are high earners. The final regulations do not mandate this timing, but the structure creates a natural operational default. A significant advantage of keeping regular deferrals and catch-up contribution elections separate is that it reduces the likelihood of spillover-related errors, because the plan does not need to redirect contributions from pre-tax to Roth mid-year, once a participant hits the applicable deferral threshold. However, deeming based on pre-tax elective deferrals only (as opposed to both pre-tax and Roth elective deferrals) may potentially result in mismatches for participants who rely heavily on pre-tax contributions throughout the year.

Again, adopting a deemed Roth election provision is not required to comply with the Roth Catch-up Rule. Employers may instead:

- Require high earners to make affirmative Roth catch-up contribution elections, or
- Eliminate catch-up or Roth contributions entirely.

Deciding whether to adopt the deemed Roth election provision requires an assessment of whether the operational simplicity gained from the deemed Roth election process outweighs any potential communication, plan amendment and/or system complexities. The ultimate decision hinges on the balance between the plan, payroll, and recordkeeper capabilities, as well as participant’s goals.

### **2. *What is required to implement the deemed Roth election provision under the final regulations?***

To comply with the final regulations, a plan must satisfy both operational and documentary requirements. Specifically, a plan must:

- Provide each affected participant an “effective opportunity” to make a new election that is different from the deemed election.

The final regulations contemplate that a different election is not limited to adjusting the elective deferral rate or ceasing catch-up contributions entirely. It appears that a participant may also switch from elect Roth catch-up contributions to pre-tax catch-up contributions, if the plan allows it. (When this happens, the plan administrator would have to track Roth catch-up contributions made earlier in the year and adjust or, if needed, correct year-end contributions to ensure the participant’s annual catch-up limit is applied correctly across pre-tax and Roth sources.)

- Be amended to incorporate the deemed Roth election provision.

### **3. How is an “effective opportunity” provided?**

A participant must have a meaningful opportunity under the plan to make an alternative election. The final regulations require participants to receive timely notice of this alternative election, because the deemed Roth election provision may change the tax nature of their contributions without any affirmative action on the part of the participant. Relevant factors include:

- Adequacy and clarity of the notice,
- Timing and duration of the opportunity to opt-out or change elections, and
- Any conditions or restrictions effecting the participant’s ability to make an election.

Because the deemed Roth election provision automatically recharacterizes catch-up contributions as Roth, payroll capabilities and participant misunderstanding are key concerns. Employers considering adopting this feature should evaluate:

- Whether their payroll and recordkeeping systems can apply the deemed Roth election in real time,
- Whether communications of the effective opportunity will reach participants early enough to allow them to make informed decisions, and
- How to handle mid-pay-period changes.

Employers who lack adequate payroll–recordkeeper coordination or face recurring communication timing issues might be better served adopting a different administrative process that applies to all participants (i.e., rely on participant-initiated Roth catch-up contribution elections for high earners).

### **4. When must the plan document be amended to add the deemed Roth election provision?**

Under Notice 2024-2, plans generally must be amended by December 31, 2026, to reflect SECURE 2.0. However, collectively bargaining plans generally have until December 31, 2028, and governmental plans have until December 31, 2029. Because adopting the deemed Roth election provision may require alignment of payroll, recordkeeping, and participant communications, employers should evaluate whether they can realistically implement this feature before deciding whether to adopt it.

### **5. If adopted, when must deemed Roth elections discontinue under the final regulations?**

Under the final regulations, a plan must discontinue applying the deemed Roth election within a “reasonable period” after it becomes known that:

- The participant no longer meets the high-earner threshold (e.g., prior-year FICA wages fall below the indexed threshold for the next year); or

- The employer issues (or participant receives) an amended Form W-2 indicating the participant is no longer considered a high earner in the current year.

The final regulations do not define the specific number of days that constitute a “reasonable period,” leaving the determination to a facts and circumstances analysis, including how quickly the employer can reasonably update payroll and plan election systems. However, the final regulations clarify that catch-up contributions already designated as Roth contributions before the end of the reasonable-period window are not required to be recharacterized solely because the participant is later determined not to be a high earner for that year. This avoids the need for corrective recharacterizations that would otherwise arise from mid-year status changes or delayed employer wage corrections.

Employers should consider any operational constraints associated with stopping deemed Roth elections mid-year. Careful coordination between payroll and recordkeeping systems is essential to ensure that:

- Participant statuses are updated quickly upon receipt of new wage information or corrected Forms W-2,
- Payroll contribution coding is promptly adjusted on a prospective basis, as soon as practicable, and
- Associated reporting is consistently applied for the periods before and after the deemed Roth election is discontinued.

#### **6. What happens to prior catch-up contributions when the deemed Roth election discontinues?**

When a participant’s deemed Roth catch-up election discontinues, the change affects only future catch-up contributions. As discussed above, prior catch-up contributions that were deemed as Roth remain Roth, and are not recharacterized. Additionally, these existing Roth amounts retain their original Roth contribution date for purposes of the 5-taxable-year period under Code Section 402A(d)(2)(B). As a result, even if the participant’s status later changes, earlier Roth catch-up contributions continue to count toward the participant’s Roth holding period.

#### **7. Does a plan’s deferral structure—spillover versus separate election—impact a plan’s ability to adopt the deemed Roth election provision?**

No. The final regulations confirm that either plan design—spillover and separate election—may implement the deemed Roth election provision. To facilitate administration, the final regulations permit plans to apply the deemed Roth election by reference to:

- Pre-tax elective deferrals only, or
- Combined pre-tax and Roth elective deferrals.

The final regulations also provide that if a catch-up contribution is later recharacterized at year-end as a regular elective contribution because the participant did not reach the annual Code Section 401(a)(30) limit, or other applicable limit, the contribution is permitted to remain Roth. No recharacterization is required.

#### **8. How does the deemed Roth election interact with other plan administrative requirements?**

Because the deemed Roth election provision changes how age-50 catch-up contributions are administered for certain participants, it does not operate in a vacuum. It must be coordinated with existing plan administrative features to ensure contributions are correctly designated and applied to the right limits.

Below are the most common plan administrative features that interact with deemed Roth election provision:

## Employer Aggregation

- In accordance with the final regulations, some plans may elect to aggregate FICA wages across related employers when determining who is a high earner subject to the Roth Catch-up Rule. If this employer aggregation feature is elected, payroll must combine wage data from multiple employers to identify high earners before the first catch-up dollar is processed, and the deemed Roth election is applied. If employer aggregation is not elected, each employer must determine its high earners independently, which affects if/when the deemed Roth election applies to its payroll system.

## 403(b) and 457(b) Special Catch-up Limits

- Special catch-up limits exist for Code Section 403(b) plans (a 15-year rule) and governmental 457(b) plans (a 3-year rule). The final regulations provide that these special limits still remain pre-tax, and are not subject to the Roth Catch-up Rule. Only age-50 catch-up contributions above those limits are subject to the deemed Roth election. As a result, payroll and administrative system must make real-time determinations of whether each catch-up dollar is being applied to a special catch-up limit or the age-50 catch-up limit—because only one of those limits will be subject to the deemed Roth election provision.

## Annual Contribution Limits

- In addition to the age 50 catch-up contribution limit, plans must monitor various other annual contribution limits, such as the Code Sections 401(a)(30) and 415(c) limits, employer-imposed limits under the plan, and ADP/ACP testing limits. Depending on when a limit is reached, implementation of the deemed Roth election may differ. For example, annual Code Section 401(a)(30) limit on elective deferrals is applied at the time of each payroll. Once this limit is reached, additional deferrals must be treated as catch-ups contributions, and thus, as Roth for high earners. Conversely, the annual Code Section 415(c) limit on annual additions is applied at the end of the plan year, which may require year-end corrections for both pre-tax and Roth catch-ups.

The deemed Roth election provision is tied to the time catch-up contributions begin. However, as described above, several plan administrative features will determine when that moment is triggered. Because each of these administrative features triggers may be at different points in the plan year and may rely on different data sources and plan provisions, employers must ensure strong coordination between payroll and the recordkeepers. Plans with manual processes or delayed data feeds may find that the deemed Roth election requires additional controls that may not be an ideal feature for their environment.

## **9. What are the benefits and disadvantages of the deemed Roth election provision?**

### **Benefits:**

- Ensures high earners are not permitted to make pre-tax catch-up contributions;
- Reduces the need for high earners to make new catch-up contribution elections once their deferrals have reached the Code Section 401(a)(30) limit;
- Provides tax-free growth benefits for participants; and
- Allows correction of misclassified contributions using IRS-approved correction methods (these correction methods are discussed in the [Special Bulletin \(https://www.truckerhuss.com/newsletter/roth-catchup-regulations/\)](https://www.truckerhuss.com/newsletter/roth-catchup-regulations/) referenced above).

**Disadvantages:**

- Participants may become confused or dissatisfied with the “forced” Roth;
- Employee communications must be frequent, clear and timely;
- Payroll and recordkeeping systems must reliably identify high earners and apply the switch consistently;
- Strong operational controls are required to identify mid-year reversals of high-earner status (e.g., amended W-2s); and
- Employers with decentralized or manual payroll systems may find deemed Roth treatment error-prone.

**10. How can employers reduce errors and mitigate fiduciary risks if the deemed Roth election provision is adopted?**

To reduce the likelihood of misclassifying contributions and to mitigate associated fiduciary exposure, employers should ensure that their plan’s administrative systems and vendors can consistently support the following functions:

- Synchronize payroll and recordkeeper data promptly;
- Ensure coding changes occur immediately when annual limits are reached;
- Issue timely notices providing an effective opportunity;
- Process participant elections and opt-outs correctly;
- Monitor mid-year changes and reversals;
- Verify withholding and reporting;
- Conduct annual monitoring to detect and correct errors; and
- Document each step.

The final regulations emphasize that adopting a deemed Roth election provision is optional. Plans may fully comply with the Roth Catch-up Rule without using a deemed election framework. Therefore, employers should adopt the deemed election only if they are confident that their payroll systems, vendors, and administrative processes can support these obligations. If any aspect of the required coordination is uncertain or cannot be executed reliably, employers should reevaluate whether the deemed Roth election design is operationally practical and fiduciarily prudent for the plan participants.

**Conclusion**

The deemed Roth catch-up election feature is an optional mechanism that can streamline compliance with the Roth Catch-up Rule for employers whose systems support automated contribution tracking and integrated participant communications. It establishes a default treatment that reduces reliance on participant elections, particularly in plans with simple or centralized payroll designs. However, for employers with decentralized payroll processes, complex workforce structures, or limited administrative bandwidth, adopting a deemed Roth feature may increase the potential for misclassifications, mid-year adjustments, or reporting errors.

Ultimately, plan sponsors and other plan fiduciaries must approach the issue of the Roth Catch-up Rule through a process of informed decision making based on administrative feasibility, risk tolerance analysis, and fiduciary capacity, recognizing that compliance with the Roth Catch-up Rule can be achieved without adopting a deemed Roth election provision, if such an approach better aligns with the plan’s operational realities.

For guidance on implementation of the new Roth Catch-up Rule tailored to your particular needs and circumstances, please contact the author of this article or your Trucker Huss attorney.

# Complying with the Required Minimum Distribution Rules When Participants Are Unresponsive or Uncooperative



Joelle Tavan



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The Internal Revenue Code's (the "Code's") required minimum distribution (RMD) rules are a cornerstone of retirement plan compliance, ensuring that participants begin withdrawing benefits and paying applicable taxes once they reach their required beginning date (RBD). Maintaining compliance with the RMD rules is a core element of tax-qualified plan operations, which in practice often presents challenges for ERISA plan administrators (Plan Administrators) and their professional service providers (TPAs)—particularly when participants fail to respond, cannot be located, or ignore repeated communications. The issue of unresponsive and uncooperative participants creates significant administrative burdens, fiduciary risks and potential compliance failures for tax-qualified retirement plans. This article explores these compliance challenges, outlines relevant agency guidance and provides practical strategies for managing risk when participants due to commence distributions from a plan are unresponsive or uncooperative, for whatever reasons (the latter group is also referred to herein as "recalcitrant participants").

## Overview of Required Minimum Distribution Rules

The RMD rules establish when and how retirement plan participants must begin taking distributions. Defined contribution plans (e.g., 401(k), profit sharing, 403(b) and 457(b) plans), and defined benefit plans are subject to RMD requirements, though the operational rules differ based on plan type. Compliance with these rules is critical for plan administrators, as failure to follow RMD requirements can result in plan qualification risks and significant tax penalties for impacted participants.

*When Plan Participants Must Take RMDs.* A participant must begin taking RMDs by their RBD, which is typically April 1 of the year following the calendar year in which the participant reaches the applicable RMD age (currently 73 for individuals born between 1951 and 1959, and 75 for those born in 1960 or later).

Plans may, however, provide that a participant who is not a 5% owner and who has not yet retired (i.e., is still working for the plan sponsor) can delay RMDs until April 1 of the year after retirement.

*How RMDs Are Calculated.* For defined contribution plans, RMDs must be paid annually by December 31 after the first RMD payment. The annual RMD amount is determined by dividing the participant's prior year-end account balance by the applicable life expectancy factor from the Internal Revenue Service (IRS) Uniform Lifetime Table.

For defined benefit plans, RMDs are generally satisfied once periodic annuity payments begin, provided those payments meet the Code's rules for lifetime or actuarially equivalent distributions. If a participant has not yet started receiving benefits by his or her RBD, the plan must begin minimum benefit payments by that date. The plan must ensure that the annuity starting date and payment form comply with the RMD distribution standards.

Unlike defined contribution plans, RMDs under defined benefit plans typically do not require separate annual calculations once payments begin, but Plan Administrators must still confirm that benefit commencement dates and actuarial assumptions align with Code requirements.

### **Challenges in Complying with the RMD Rules: Unresponsive Participants**

Retirement plans often experience difficulties in complying with RMD rules due to frequent participant turnover, decentralized recordkeeping and generalized participant disengagement, all of which leads to participant unresponsiveness. Plans routinely lack current contact information for terminated participants, especially those who have been separated from the company for a long period of time. Returned mail, invalid email addresses and inactive online accounts complicate communication and hinder a plan administrator's ability to pay RMDs.

For a recalcitrant participant, a Plan Administrator may have no doubt as to the participant's whereabouts or how to contact them. In fact, the participant may be in contact with the Plan Administrator regarding matters other than distributions, for example, to initiate a change in investment allocation or to update a mailing address or telephone number. However, this participant fails to cooperate with the plan administrator when it comes to providing consent to an RMD (e.g., fails to return distribution election forms or provide needed documentation, such as proof of age or spousal consent). Without accurate data and participant cooperation, Plan Administrators and TPAs cannot issue timely RMD notices or properly calculate RMD amounts.

Failure to make timely RMDs can subject a plan to disqualification, and participants to excise tax on missed distributions. Untimely RMDs also lead to administrative complexities, especially if a participant experiences a life event after reaching their required beginning date—such as death, disability or divorce. Additionally, if a participant in a defined benefit plan later resurfaces, the plan must determine whether missed payments require actuarial increases or retroactive lump sums. These adjustments can be costly and administratively complex.

### **Strategies for Plan Administrators to Demonstrate Good-Faith Compliance with Government Agency "Missing" Participant Guidance**

Even when participants are unresponsive or recalcitrant, Plan Administrators are expected to act in good faith, and document all reasonable efforts to comply with the RMD rules. The IRS has acknowledged that a plan will not be treated as failing to satisfy the RMD rules merely because a participant refuses or fails to accept a required distribution, provided the plan took timely and reasonable steps to comply with the rules.

To mitigate RMD compliance risks, Plan Administrators and their TPAs should establish administrative procedures for identifying, locating and engaging with participants about their RMDs. Best practices include:

- » Early Identification and Regular Data Audits. The Plan Administrators and TPAs should, on a regular basis:
  - Verify participant birthdates and employment status;
  - Update addresses using payroll or HR data; and
  - Flag individuals approaching RMD age.
  
- » Coordination with Service Providers. Plan Administrators should coordinate with recordkeepers, TPAs and payroll providers to maintain accurate data and implement a consistent RMD compliance process (including a process for identifying participants who are nearing their RBDs, calculating RMD amounts and timely sending

out distribution forms).

» Follow IRS Guidance on Missing Participants. In its Memorandum TE/GE-04-1017-0033 (Oct. 19, 2017), the IRS provided clear direction to examiners on how to address situations where retirement plans have failed to make RMDs to missing participants. Specifically, IRS examiners are directed not to challenge a plan for failing to pay RMDs to missing participants if the plan demonstrates that it has taken appropriate, reasonable search steps. These steps include:

- Searching for alternate contact information using records of the plan, the plan sponsor, any related plans and publicly available information. This includes addresses, phone numbers and email addresses.
- Using a commercial locator service, credit reporting agency or proprietary internet search tool.
- Sending a certified letter to the participant's last known mailing address and through any other appropriate communication channels, such as email.
- Documenting all steps taken to locate the missing person.

» Follow DOL Best Practices to Locate Missing Participants. The U.S. Department of Labor (DOL)'s Field Assistance Bulletin 2021-01 outlines best practices to help plan fiduciaries locate missing participants. These best practices are designed to help fiduciaries demonstrate prudence under the Employee Retirement Income Security Act of 1974 by taking reasonable steps to locate missing participants, pay out benefits and reduce the number of uncashed checks or unclaimed accounts. Best practices include:

- Maintaining Accurate Contact Information
  - Periodically confirming participant and beneficiary contact details.
  - Using plan enrollment, beneficiary designation and other forms to collect mailing addresses, phone numbers and email addresses.
  - Promptly updating records after returned mail, undeliverable notices or electronic delivery failures.
  - Coordinating data across service providers (recordkeepers, payroll and HR systems) to ensure consistency.
- Conducting Effective Communication and Outreach
  - Using multiple communication methods (mail, email, phone, text) to contact missing participants.
  - Attempting contact through both work and personal information.
  - Notifying participants regularly about the importance of keeping contact information current.
  - Including missing participant reminders in plan communications such as benefit statements.
- Searching for Missing Participants
  - Checking plan and employer records, and reaching out to designated beneficiaries or emergency contacts.
  - Using free online search tools, public databases or social media to locate individuals.
  - If internal efforts fail, using a commercial locator service, credit reporting agency or death index search.
  - Collaborating with related plans of the same employer (e.g., health or welfare plans) to locate individuals.
- Establishing and Documenting Policies and Procedures

- Adopting written policies outlining steps for maintaining contact information, conducting searches and documenting outcomes.
- Keeping detailed records of search efforts, communications and results.
- Periodically reviewing and updating procedures based on experience and DOL guidance.
- Engaging in Ongoing Fiduciary Oversight
  - Ensuring that service providers follow consistent procedures to identify and locate missing participants.
  - Evaluating search efforts for cost effectiveness and reasonableness based on participant account balances.
  - Periodically auditing participant data and locator processes to improve accuracy.

For more information about DOL Best Practices, see “[Missing Participants: The Search Continues](https://www.truckerhuss.com/2022/02/missing-participants-the-search-continues/) (<https://www.truckerhuss.com/2022/02/missing-participants-the-search-continues/>)” (Trucker Huss, February 22, 2022).

» Adopt Default Distribution Policies. For defined contribution plans, the plan document should outline clear default procedures where a participant’s whereabouts are known, but fails to respond to, or cooperate about, the timely distribution of his or her RMD. Options may include:

- Issuing a distribution check to the participant’s last known address;
- Transferring small balances (typically under \$5,000) to a rollover IRA; or
- Following applicable state unclaimed property laws if checks remain uncashed.

For defined benefit plans, the plan document should specify a default form of benefit that can be initiated without participant election, consistent with spousal protections.

» Enhance Participant Communication Strategies. Plan Administrators should ensure communications to participants about RMD requirements are clear and frequent. This includes:

- Sending early RMD notifications;
- Using email, text alerts and online portals in addition to mailed notices;
- Highlighting potential tax penalties for missed RMDs; and
- Including reminders in annual benefit statements.

» Maintain Comprehensive Documentation. Plan Administrators should maintain written evidence of:

- Search efforts and communication logs;
- RMD calculation records;
- Procedures for handling uncashed checks or missing participants; and
- Decisions made regarding default benefit initiation.

The strategies and procedures described above do not amount to an exhaustive list of the actions that can be taken to address unresponsive and recalcitrant participants, but it does provide an excellent framework from which to design a prudent process. Ultimately, plan administrators must take timely and reasonable approaches aimed at facilitating compliance with the Code’s RMD rules, consistent with IRS and DOL guidance.

## Conclusion

Unresponsive and uncooperative participants present persistent administrative challenges in retirement plan management. While plan administrators cannot compel participant cooperation, they can implement robust administrative procedures (i.e., accurate recordkeeping and diligent search efforts) to identify, locate and engage with participants about their RMDs and inform them of the penalties they may face if the Code's requirements in this regard are not met. And plan administrators should thoroughly document all actions taken to establish prudence and good-faith compliance with the RMD rules and agency guidance. These actions are essential to maintaining a plan's tax-qualified status and defending against related fiduciary breach claims.

If you have questions about compliance with the Code's RMD when participants fail to be responsive, please contact us.

## 2026 Pension Plan Limitations



Susan Quintanar

On November 13, 2025, the Internal Revenue Service issued Notice 2025-67, containing the cost-of-living adjustments related to retirement plan limitations under the Internal Revenue Code (the "Code"). These changes will take effect on January 1, 2026. Below are some of the key highlights.

### Adjusted Limitations

- The limitation on the annual benefit under a defined benefit plan is increased from \$280,000 to \$290,000. (Code section 415(b)(1)(A)).
- For a participant who separated from service before January 1, 2025, the participant's limitation under a defined benefit plan under section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2025, by 1.0288.
- The annual contribution limitation for defined contribution plans is increased from \$70,000 to \$72,000. (Code section 415(c)(1)(A)).
- The annual compensation limit is increased from \$350,000 to \$360,000. (Code sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii)).
- The limitation on the exclusion for elective deferrals is increased from \$23,500 to \$24,500. (Code sections 402(g)(1) and 402(g)(3)).
- The annual compensation limitation for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation to be taken into account, is increased from \$520,000 to \$535,000. (Code section 401(a)(17)).
- The compensation amount regarding simplified employee pensions (SEPs) is increased from \$750 to \$800. (Code section 408(k)(2)(C)).
- The limitation regarding SIMPLE retirement accounts is increased from \$16,500 to \$17,000. (Code section 408(p)(2)(E)).
- The dollar limitation regarding the definition of "key employee" in a top-heavy plan increased from \$230,000 to \$235,000. (Code section 416(i)(1)(A)(i)).

- The dollar amount for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$1,415,000 to \$1,455,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased to \$290,000, up from \$280,000. (Code section 409(o)(1)(C)(ii)).
- The limitation used in the definition of “highly compensated employee” remains \$160,000. (Code section 414(q)(1)(B)).
- The maximum amount of catch-up contributions individuals aged 50 or over may make to 401(k) plans, 403(b) plans, SEPs, and governmental 457(b) plans is increased from \$7,500 to \$8,000. (Code section 414(v)(2)(B)(i)).
- The maximum amount of catch-up contributions individuals who attain age 60, 61, 62, or 63 in 2026 may make remains \$11,250. (Code section 414(v)(2)(E)(i)).
- The maximum amount of catch-up contributions that individuals aged 50 or over may make to SIMPLE 401(k) plans or SIMPLE retirement accounts increased from \$3,500 to \$4,000. (Code section 414(v)(2)(B)(ii)).
- The maximum amount of catch-up contributions individuals who attain age 60, 61, 62, or 63 in 2026 may make to SIMPLE 401(k) plans or SIMPLE retirement accounts remains \$5,250. (Code section 414(v)(2)(E)(ii)).
- The Roth catch-up 2025 wage threshold, which is used to determine whether a “Highly Paid Individual’s” catch-up contributions for 2026 must be designated as Roth contributions, is increased (retroactively) from \$145,000 to \$150,000. (Code section 414(v)(7)(A)). For further information regarding the new catch-up rules effective January 1, 2026, see Trucker Huss article *The Roth Catch-Up Regulations are Final: What You Need to Know!* (<https://www.truckerhuss.com/newsletter/roth-catchup-regulations/>).
- The adjusted gross income limitation under Code section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from \$47,500 to \$48,500; the limitation under Section 25B(b)(1)(B) is increased from \$51,000 to \$52,500; the limitation under Code sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$79,000 to \$80,500.
- The adjusted gross income limitation under Code section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from \$35,625 to \$36,375; the limitation under Section 25B(b)(1)(B) is increased from \$38,250 to \$39,375; the limitation under Code sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$59,250 to \$60,375.
- The adjusted gross income limitation under Code section 25B(b)(1)(A) for determining the retirement savings contributions credit for all other taxpayers is increased from \$23,750 to \$24,250; the limitation under Code section 25B(b)(1)(B) is increased from \$25,000 to \$25,500; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$39,500 to \$40,250.
- The deductible amount for an individual making qualified retirement contributions increased from \$7,000 to \$7,500. (Code section 219(b)(5)(A)).
- The applicable dollar amount for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from \$126,000 to \$129,000. The applicable dollar amount for all other taxpayers who are active participants (other than married taxpayers filing separate returns) is increased from \$79,000 to \$81,000. The applicable dollar amount for a taxpayer who is not an active participant but whose spouse is an active participant increased from \$236,000 to \$242,000. (Code Sections 219(g)(3)(B)(i), 219(g)(3)(B)(ii), and 219(g)(7)(A)). If an individual or the individual’s spouse is an active participant, the applicable dollar amount for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0. (Code section 219(g)(3)(B)(iii)).

- Under section 219(g)(2)(A), the deduction for taxpayers making contributions to a traditional IRA is phased out for single individuals and heads of household who are active participants in a qualified plan (or another retirement plan specified in section 219(g)(5)) and have adjusted gross incomes (as defined in section 219(g)(3)(A)) between \$81,000 and \$91,000, increased from between \$79,000 and \$89,000. For married couples filing jointly, if the spouse who makes the IRA contribution is an active participant, the income phase-out range is between \$129,000 and \$149,000, increased from between \$126,000 and \$146,000. For an IRA contributor who is not an active participant and is married to someone who is an active participant, the deduction is phased out if the couple's income is between \$242,000 and \$252,000, increased from between \$236,000 and \$246,000. Note: For a married individual filing a separate return who is an active participant, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.
- The adjusted gross income limitation under section 408A(c)(3)(B)(i)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from \$236,000 to \$242,000. The adjusted gross income limitation under section 408A(c)(3)(B)(i)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$150,000 to \$153,000. Note: The applicable dollar amount for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0. (Code section 408A(c)(3)(B)(i)(III)).
- Under section 408A(c)(3)(A), the adjusted gross income phase-out range for taxpayers making contributions to a Roth IRA is between \$242,000 and \$252,000 for married couples filing jointly, increased from between \$236,000 and \$246,000. For singles and heads of household, the income phase-out range is between \$153,000 and \$168,000, increased from between \$150,000 and \$165,000. Note: For a married individual filing a separate return, the phase-out range is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.
- The limitation on the aggregate amount of length of service awards accruing with respect to any year of service for any bona fide volunteer under section 457(e)(11)(B)(ii) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$7,500 to \$8,000.
- The limitation on deferrals under Code section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$23,500 to \$24,500.
- The limitation concerning the qualified gratuitous transfer of qualified employer securities to an employee stock ownership plan increased from \$60,000 to \$65,000. (Code section 664(g)(7)).
- The compensation amount under Code section 1.61-21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes is increased from \$140,000 to \$145,000; the compensation amount under Code section 1.61-21(f)(5)(iii) is increased from \$285,000 to \$290,000.
- The dollar limitation on premiums paid with respect to a qualifying longevity annuity contract under Code section 1.401(a)(9)-6, A-17(b)(2)(i) of the Income Tax Regulations remains \$210,000.
- The dollar threshold the Code used to determine whether a multiemployer plan is a systematically important plan is adjusted using the cost-of-living adjustment. After taking the applicable rounding rule into account, the threshold is increased from \$1,441,000,000 to \$1,505,000,000. (Code sections 432(e)(9)(H)(v)(III)(aa) and 432(e)(9)(H)(v)(III)(bb)).

*The following is a quick reference guide to key limitations for 2024-2026.*

	2026	2025	2024
401(k)/403(b)/457 Elective Deferral Limit	\$24,500	\$23,500	\$23,000
Defined Contribution Plan Annual Contribution Limit	\$72,000	\$70,000	\$69,000
Defined Benefit Plan Annual Benefit Limit	\$290,000	\$280,000	\$275,000
Annual Compensation Limit	\$360,000	\$350,000	\$345,000
Catch-Up Contribution Limit	\$8,000	\$7,500	\$7,500
Highly Compensated Employee Compensation Threshold	\$160,000	\$160,000	\$155,000
Key Employee Compensation Threshold	\$235,000	\$230,000	\$220,000

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