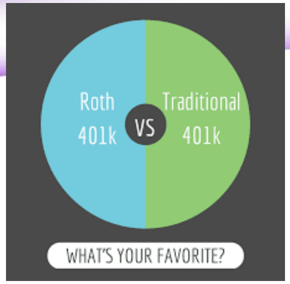
Roman Catholic Archdiocese of Boston 401(k) Plan

SECURE 2.0 Mandatory Roth Catch-Up Information

December 2025/January 2026

Pre-Tax vs. Roth



- Retirement plans such as 401(k) and 403(b) plans were created in 1978 by Congress as a way to allow employees to defer current wages before they were subject to federal or state taxes (*i.e.*, pre-tax).
  - Pre-tax plan contributions (and any earnings thereon) are subject to income tax when withdrawn from a plan.
  - Many employees feel that paying taxes at some point in the future (vs. now) is advantageous.

- Congress added a method for employees to defer current wages into retirement plans, but on an after-tax basis, in 2001 (effective in 2006). This after-tax option is known as a Roth contribution.
  - Roth contributions are subject to federal and state income tax when wages are paid, but there is no further tax liability on the contributions (and any earnings thereon).
  - Restrictions on how soon Roth contributions can be withdrawn apply.
  - Some employees feel that paying taxes now (and avoiding taxes on future earnings on contributions) is advantageous.

- The RCAB 401(k) Plan has made pre-tax and Roth options available since inception, although most employee contributions are made on a pre-tax basis.

Standard and "Catch-Up" Contributions

- Every year, the IRS sets maximums for employees who wish to contribute to retirement plans. In 2026, the maximums are:
  - $24,500 for employees of any age.
  - Plus an additional $8,000 for employees age 50+ (as of December 31 of the contribution year), known as "catch-up" contributions, *or*
  - Plus an additional $11,250 for employees age 60-63 (as of December 31 of the contribution year), known as "super catch-up" contributions.

SECURE 2.0 Mandatory Roth Catch-up (MRC)

- In 2022, Congress passed SECURE 2.0, which included a number of provisions relating to retirement plans. One provision required that certain highly-compensated employees would no longer be able to contribute the full legal maximum to 401(k) plans on a pre-tax basis.
  - For employees who have Social Security wages in excess of $145,000 (indexed for inflation each year, to $150,000 for 2025) and who wish to make "catch-up" contributions, these must be **made on a Roth basis**.
  - This change was a revenue-generating way to offset other tax cuts.

- Many employees in the MRC group have no experience with Roth deferrals. The chart at the link below explains how Roth and pre-tax deferrals differ.
  https://www.irs.gov/retirement-plans/roth-comparison-chart

IRS

System Limitations/Take Action

- Although the law mandates MRC for specified individuals, neither Voya nor Paylocity is able to fully automate this setup, meaning <u>some action is required</u> for these individuals *if* they wish to defer more than $24,500 in 2026.
- Options include:
  - For those set up with pre-tax only now, change to Roth only.
    - Pros and cons to deferring on a Roth basis
    - Financial planning/tax advice recommended before making this change
  - Leave pre-tax deduction as is, knowing 2026 deferrals will total over $24,500 (Not Recommended)
    - Any pre-tax deductions in excess of $24,500 will process in Paylocity but will be **rejected and returned by Voya** because they are not Roth.
    - There will be a delay in the reject/return process, and notice to the Benefits Department/your payroll administrator/you will not be in real time.
    - You can decide at that time whether to begin Roth deferrals for any desired "catch up" amounts. Note that any payrolls with no deferrals will mean no employer matching contributions.

System Limitations /Take Action

- Additional options include:
  - Calculate the total amount you wish to defer into the 401(k) Plan for 2026 (keeping in mind that there will be **27 pay dates in 2026**) and divide the amount into pre-tax and Roth after-tax portions. Then either:

    (a) Set up Roth and pre-tax deductions to run concurrently all year. Note: you cannot mix and match % and flat dollar amounts to do this. We strongly recommend flat dollar amounts for each. Example:

    27 pre-tax deductions @ $907.40 = $24,499.80

    27 Roth deductions @ $296.31 = $8,000.37*

*This calculation exceeds the 2026 annual legal maximum by 17 cents. Provided you make all 401(k) contributions from a single employing location in 2026, Paylocity will stop your overall deductions at exactly $32,500.

System Limitations /Take Action

Or (b) Start the year with a pre-tax deduction and then change to a Roth deduction at the correct time. Example:

21 pays (January 2 – October 9, 2026) @ $1,166.66 = $24,499.86

6 pays (October 23 – December 31, 2026) @ $1,333.36 = $8,000.16*

*This calculation exceeds the 2026 annual legal maximum by 2 cents. Provided you make all 401(k) contributions from a single employing location in 2026, Paylocity will stop your overall deductions at exactly $32,500.

- Using option (b), you would need to log in to Voya between December 18, 2025 and December 24, 2025 to set up your January 2, 2026 pre-tax deduction. Then, as soon as the October 9 payroll has processed, you would need to log in to Voya to end your pre-tax deduction (*i.e.*, change it to zero) and set up your Roth deduction.
- Note that for either option (a) or (b), if you receive any additional (off-cycle) paychecks during the year from which 401(k) deductions are taken, the above calculations would need to be adjusted.

401(k) Deferral Changes

- When the Plan changed to Voya in December 2022, the process for changing employee 401(k) deductions also changed, to be fully employee-initiated through Voya
- Payroll administrators have been directed not to manually change deductions in Paylocity, since there will be no audit trail showing that the election was made at the direction of the employee.
  - RCAB Voya Contribution Change Steps – click this link for information on how to change your contribution
- Changes can be made online (recommended) at **rcab.voya.com**, or by calling Voya at 855-817-1664.
  - Changes take one business day to load into Paylocity, so depending on timing of when payroll is processed, a change could take more than one pay cycle to take effect.

Other FYIs

- If you will be age 60-63 in 2026 (but not age 64), you can defer up to $11,250 as "super catch-up." Thus, if you choose to set up specific per payroll pre-tax and Roth deductions, the math on slides 6-7 will be different.
- If you are employed at more than one location that participates in the 401(k) Plan in 2026 and you defer into the Plan from those locations, you should contact the Benefits Department for assistance with setting up your deductions, since neither Paylocity nor Voya will aggregate your deductions (thus resulting in a potential overcontribution and tax penalty).
- The determination of whether MRC applies is based on an annual lookback to the prior calendar year. Thus, you may not be subject to MRC in future years, depending on your total annual Social Security wages.
- The RCAB 401(k) Plan awards employer matching contributions on a per-payroll basis and does not include a "true-up" function to award the match for any payrolls with no contributions. Thus, we recommend spreading contributions out across all pay dates of the year, ideally in an amount of at least 5% of your pay to enable the full 4% match.

Ongoing Support/Help

- The Benefits Department has reviewed payroll records and identified approximately 50 employees in the MRC category, working across 19 different payroll divisions.

- The Benefits Department will continue to monitor deduction totals for MRC compliance and will contact you (and your payroll administrator) via email with any questions or updates.
  - We recommend prompt action when notified.

- We also recommend monitoring your Voya account throughout the year to confirm that your deferrals have gone through (pre-tax and Roth).

Questions?

Carol Gustavson, Plan Administrator

cgustavson@rcab.org

(617) 746-5830

Kerri Shorter, Senior Benefits and Retirement Plan Manager

kshorter@rcab.org

(617) 746-5671