SECURE 2.0 Roth Mandate – FAQ's

Q1. What is the SECURE 2.0 Roth Mandate?

The SECURE 2.0 Act requires certain participants age 50 or older to make catch-up contributions to their governmental 457(b) plan on a Roth (after-tax) basis instead of a traditional pre-tax basis. This requirement applies in 2026.

Q2. Who is affected by the Roth Mandate?

The mandate applies to participants who:

- Are eligible to make age-based catch-up contributions (generally age 50 or older), and
- Earned more than $150,000 in FICA wages from the sponsoring employer during the prior calendar year (for 2026; the threshold will be indexed for inflation in future years).
- Law Enforcement and County Peace Officers are exempt.

Q3. What is a catch-up contribution?

A catch-up contribution is an additional retirement plan contribution that employees age 50 or older may make after reaching the annual regular elective deferral limit.

For 2026:
Regular elective deferral limit: **$24,500** (pre-tax and/or after-tax)

Additional catch-up contribution: **$8,000** (after-tax)

Q4. Does the Roth Mandate apply to all retirement plan contributions?

No. The Roth Mandate only applies to catch-up contributions. Participants may continue making regular elective deferrals on a pre-tax basis. Only the contributions above the regular annual limit must be made as Roth contributions if the participants meet the income threshold.

Pre-Retirement Catch-Up contributions are exempt from the mandate.

Q5. What is the difference between Roth and Traditional 457 contributions?

Traditional (Pre-Tax)	Roth (After-Tax)
Reduces current taxable income	No current tax deduction
Taxes are paid upon withdrawal	Withdrawals are tax-free

Q6. If I earn less than $150,000, am I required to make Roth catch-up contributions?

No. Employees whose prior-year FICA wages do not exceed the applicable threshold may continue making catch-up contributions on a pre-tax basis.

Q7. Does the $150,000 threshold include overtime?

Generally, the threshold is based on FICA wages reported by the employer sponsoring the retirement plan. Overtime, and other taxable compensation subject to FICA taxes are typically included.

Q8. Will the Roth Mandate reduce my take-home pay?

Possibly. Because Roth contributions are made after taxes are withheld, employees who previously made pre-tax catch-up contributions may see a reduction in net pay while contributing the same dollar amount.

Q9. What should employees do now?

- Review their prior-year earnings.
- Evaluate the tax impact of Roth catch-up contributions.
- Consult with a financial or tax advisor regarding retirement and tax planning strategies.

Q10. Do I need to monitor my contributions or adjust my contribution?

No, Workday will update your contribution once you reach the annual regular limit. However, if you do not want to contribute with after-tax contributions, you will need to request to stop your contribution via Workday or by submitting the deduction form available at: 125 Pre-tax Programs

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Key Takeaway

Beginning in 2026, participants age 50 and older who earned more than $150,000 in FICA wages from their employer during the previous year must make any eligible catch-up contributions as Roth contributions. Pre-Retirement Catch-Up are exempt. Employees who do not earn FICA earnings are exempt. The rule does not affect regular pre-tax deferrals and is intended to increase after-tax retirement savings while generating earlier tax revenue for the federal government.

Please email any of your questions or concerns regarding the Roth Mandate to:
DeferredCompensation@santacruzcountyca.gov