



IRS Releases Guidance on Mandatory Roth Catch-ups, Autoenrollment

Key provisions of this guidance are as follows.

Roth Catch-Up Contributions

1. Pretax catch-up contributions made by those earning more than \$145,000 in the previous calendar year will be automatically designated as Roth contributions. No special election is required.
2. When determining whether an employee qualifies for the Roth restriction on catch-up contributions, there will be no proration of wages for the prior year. Thus, new 2026 employees and those who worked for part of 2025 will only have their 2026 catch-up contributions designated as Roth if their Federal Insurance Contributions Act (FICA) wages for 2025 exceeded \$145,000.
3. Since qualification depends on FICA wages, individuals who do not have FICA wages from the plan sponsor will have no restrictions on their catch-up contributions, regardless of salary. This includes certain state and local government employees and partners in a partnership who have only self-employment income. Those with no FICA wages can choose to designate their catch-up contributions as pretax or Roth.
4. Plans may not require that all catch-up contributions be Roth in order to circumvent these new rules.
5. Roth contributions made before the participant has reached their general 402(g) elective deferral limit will satisfy the catch-up Roth requirement if the elective deferral limit is exceeded, even though these funds were contributed to the plan before the participant reached the elective deferral limit.
6. Plans without a Roth feature will not be allowed to provide a catch-up option for those who earned more than \$145,000 in FICA wages from the plan sponsor in the previous calendar year.

Auto-enrollment Requirement for Plans Created After the Passage of SECURE 2.0



1. If a plan created before SECURE 2.0 joins a multiple employer plan (MEP) or pooled employer plan (PEP) that was also created after SECURE 2.0, the joining plan will not be required to have auto-enrollment.
2. For plans that are subject to SECURE 2.0's autoenrollment requirement, all new employees must be automatically enrolled. Existing employees who have never made a deferral election or an affirmative election to opt out of the plan must also be automatically enrolled.
3. To determine the 10-employee threshold at which an employer's plan would become subject to auto-enrollment requirements, the IRS will use existing Continuation of Health Coverage (COBRA) rules.
4. For MEPs and PEPs, the IRS will determine the 10-employee and three-year thresholds using an employer-by-employer basis. These thresholds will not be based on the number of employees in the MEP or PEP, nor will they be based on the creation date of the MEP or PEP.

It's important to note that these IRS regulations are not yet final. They include a 60-day comment period from their date of publication in the Federal Register. A public hearing is scheduled for April 8, 2025..