


MEMORANDUM

DATE: November 25, 2025

TO: City Employees

FROM: Samantha Hardy, Human Resources Manager 

SUBJECT: Effective 1/1/2026 - New Requirement for 457(b) Age-Based Catch-Up Contributions (Secure Act 2.0)

Dear City Employees,

Effective January 1, 2026, Section 603 of the SECURE 2.0 Act of 2022 enacts a mandatory Roth catch-up contribution rule for age-based catch-up contributions. This change affects the City's voluntary 457(b) plan.

What is changing?

Starting January 1, 2026, if you:

- Turn age 50 or older; and
- Had FICA¹ wages from the City of Sacramento exceeding \$150,000 in the prior year (W-2, Box 3).

THEN:

- All age-based catch-up contributions must be made as Roth (after-tax) contributions.

Traditional (pre-tax) catch-up contributions will not be allowed for individuals in this category. The \$150,000 threshold will be adjusted annually by the IRS for cost-of-living adjustments.

Who Is Affected?

This rule applies to:

- Standard age-based catch-up contributions (available to employees turning age 50 and older); and
- Higher "super" catch-up contributions (available to employees ages 60 through 63).

This rule does not apply to:

- Three-year pre-retirement catch-up contributions under the 457(b) plan.
- Employees with City of Sacramento FICA wages at or below \$150,000 in the prior calendar year.
 - Sworn police and fire safety employees do not pay into Social Security at the City of Sacramento and therefore do not have reportable FICA wages.
- New hires with no FICA wages from the City in the prior calendar year.

¹ Note: This requirement does not apply to sworn police and fire safety employees, as those employees do not participate in Social Security and therefore do not have reportable FICA wages.

- Wages earned with other employers; only City of Sacramento wages (W-2, Box 3) count toward the threshold.

What You Should Know:

You do not need to take action now. However, if you will be turning 50 or older in 2026 or approaching eligibility for age-based catch-up contributions, we recommend:

- Reviewing your W-2, Box 3 wages from the City of Sacramento for 2025 and future years.
- Planning ahead if you currently make or intend to make age-based catch-up contributions.
- Speaking with your financial advisor about the impact of Roth (after-tax) contributions, including the impact on your withholdings for state and federal income taxes.
- Reviewing your current 457(b) contributions and updating your contribution amount in your Nationwide account as necessary.
- Reviewing your W-4 Withholdings in eCAPS Employee Self Service > My Payroll and HR Info > Payroll and adjusting as necessary.
- Reviewing [information from Nationwide](#) about catch-up contributions.

Changes to your 457(b) contribution amount(s) should be made directly in your Nationwide account at <https://www.cityofsacretplan.com/rsc-preauth/>. Please note it can take up to two paychecks to see your contribution change on your paycheck.

To evaluate your eligibility for the three-year pre-retirement catchup contribution provision, please contact Rick Watson, Nationwide Retirement Specialist, at rick.watson@nationwide.com.

The City's 457(b) plan already accepts contributions on an after-tax basis. The City will provide additional information in January 2026 on its monitoring of age-based catch-up contributions.

Sincerely,



Samantha Hardy
Human Resources Manager