CalPERS

CalPERS **457 Plan**

Updated August 28, 2023

Understanding the SECURE 2.0 Act's impact on the CalPERS 457 Plan

On December 29, 2022, the Consolidated Appropriation Act of 2023 was signed into law. This legislation contained the SECURE 2.0 Act of 2022, which includes several provisions that are anticipated to make it easier for individuals to save for retirement. Some key provisions are already in effect as of December 31, 2022. Additional provisions are expected to be effective for tax years after December 31, 2023. The following answers how these provisions impact your agency as it relates to the CalPERS 457 Plan now and beginning in 2024.

What has already changed because of the SECURE 2.0 Act?

RMD beginning date increased to age 73. RMD excise tax reduced to 25%.

The required age for a Required Minimum Distribution (RMD) beginning date increased for participants and spousal beneficiaries of a participant that died prior to reaching the RMD beginning date. The increase in age allows participants to keep their savings in their retirement plan for a longer period.

The new RMD age is age 73 for an individual who attains age 72 after December 31, 2022, and age 73 before January 1, 2033. The RMD age is age 75 for an individual who attains age 74 after December 31, 2032.

In addition, the SECURE 2.0 Act reduced the excise tax imposed on RMDs that are not taken in a timely manner. The excise tax has changed from 50% to 25%, and to 10% if a correction to the RMD is made in a timely manner. The reduced penalties allow participants to preserve more of their retirement income.

How is the CalPERS 457 Plan changing because of the SECURE 2.0 Act?

CalPERS will add the Roth contribution option for all agencies in the CalPERS 457 Plan.

Beginning in 2024, the CalPERS 457 Plan will allow for Roth contributions from any current California state, public school, or local public agency employee that participates in the Plan.

The Roth plan option was previously available only if adopted by an agency for their CalPERS 457 Plan. In order to comply with all of the SECURE 2.0 Act changes, however, the Roth feature of the CalPERS 457 Plan will now be added for all agencies that have adopted the CalPERS 457 Plan. There is no action required to add Roth for your agency's Plan. Additional information will be sent by CalPERS in the coming months to help prepare you for accepting Roth contributions from participating employees.

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How are Age 50+ Catch-up contributions changing in 2026 because of the SECURE 2.0 Act?

Effective January 1, 2026, participants age 50 or older with FICA wages exceeding $145,000 can only make Age 50+ Catch-up contributions with Roth after-tax money.

Beginning in 2026, employees age 50 or older with FICA wages for the previous year exceeding $145,000 can only make Age 50+ Catch-up deferrals as a Roth after-tax contribution. The three-year Special 457 Catch-up provision is not impacted by the SECURE 2.0 Act. Under previous law, Age 50+ Catch-up contributions to a governmental defined contribution retirement plan could be made on either a pre-tax or Roth basis.

This is a mandatory provision that impacts all plans offering Age 50+ Catch-up contributions. Requests in 2023 for Congress and the Treasury Department to delay the implementation of this section of the SECURE 2.0 Act resulted in an administrative transition period that extends until 2026. The administrative transition period will help agencies and taxpayers transition smoothly to the new Roth catch-up requirement and is designed to facilitate an orderly transition for compliance with that requirement.

Can my agency restrict Roth contributions to only those employees who are age 50 or older and have exceeded FICA wages of $145,000 in 2025?

No. While only those who are age 50 or older and have FICA wages of $145,000 or more will be required to make Roth contributions if saving for retirement as part of the Age 50+ Catch-up provision beginning in 2026, contributing Roth after-tax money to the CalPERS 457 Plan will be an option made available to all participants as of January 1, 2024. CalPERS will provide you with information and resources for your employees and inform participants in the Plan directly in the coming months.

Will CalPERS delay the Roth rollout for the CalPERS 457 Plan now that the IRS has announced the administrative transition period for the new Roth catch-up requirement?

No. CalPERS will add Roth after-tax contribution functionality for all participants in the CalPERS 457 Plan effective January 1, 2024 to comply with the SECURE 2.0 Act. Doing so will help participants build a nest egg of tax-free income in retirement if Roth contributions better suit their unique retirement planning situation. We encourage you to begin working with CalPERS immediately to understand the impact this change will have on your agency, payroll submissions, and using myCalPERS. In addition, you can call your dedicated Account Manager* at **888-713-8244** to discuss providing Roth education to your employees with your employees.

* *Information from registered Plan Service Representatives is for educational purposes only and is not legal, tax or investment advice. Local Plan Service Representatives are registered representatives of Voya Financial Advisors, Inc., member SIPC (VFA). Plan administration services provided by Voya Institutional Plan Services, LLC.*

Our commitment to you

We are committed to helping you implement the SECURE 2.0 Act changes as easily as administratively possible. For questions about the SECURE 2.0 Act's impact on the CalPERS 457 Plan, please contact CalPERS by phone at 800-696-3907 or email at CalPERS_457_Plan@calpers.ca.gov.

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