

RIC 457/401A RESOURCE BANK

Iowa Retirement Investors' Club (RIC) news and updates for employers

March 2025

To help you maintain compliance with IRS 457/401a plan regulations, please take note of the following plan updates and reminders. For more program information, visit the [RIC website](#).

2024 457 CONTRIBUTIONS

Please review all 2024 deductions for employees who contribute at high levels to make sure no one went over the limit. If anyone did, please contact RIC right away so we can have excess contributions removed from the plan. This needs to be done asap. (See the [RIC website](#) for more information)

2024	Contribution Limits	
Regular	The lesser of 100% compensation or:	\$23,000
Age 50+	Regular limit + \$7,500 for employees age 50+	\$30,500
3-Yr Catch up	Regular limit + missed contributions up to:	\$46,000

2026 ROTH CHANGE

As previously mentioned, there is a new law taking effect January 1, 2026. This law applies to anyone turning age 50 or older in 2026 whose 2025 FICA wages exceed \$145,000 (this amount will be indexed in the future). Any person in this group may contribute on a pretax basis up to the regular limit. Any contributions over the regular limit must be made on a Roth basis.

Example:

Employee Smith is over 50 and made over \$145,000 in FICA wages in 2025. In 2026, Smith can contribute \$23,500* on a pretax basis. Once this limit is reached, you must change the deduction from pretax to Roth. Make sure you change the coding on your remitter file from EE to RT.

We will be modifying our plan document to provide a “deemed Roth” provision, allowing employers to change the deductions without employee consent to meet the federal requirements. We will also add language to the RIC Form so employees are aware of this provision.

Your To-Do's:

1. If you haven't already done so, add Roth deductions as an option in your payroll system as of 1/1/2026. We recommend you make this change prior to 2026 so your payroll system is ready.
2. Test your payroll system to see if your software is built to automatically change the election.
3. If your payroll system will not make this change, you will need to monitor contributions for anyone meeting the Roth requirement. Once the person reaches the maximum, make sure you change the election to Roth. This may mean some employees will have a split deduction in one pay period - \$X pretax and \$Y Roth.

*For purposes of this article, we will assume the regular limit in 2026 is \$23,500 (same as 2025).

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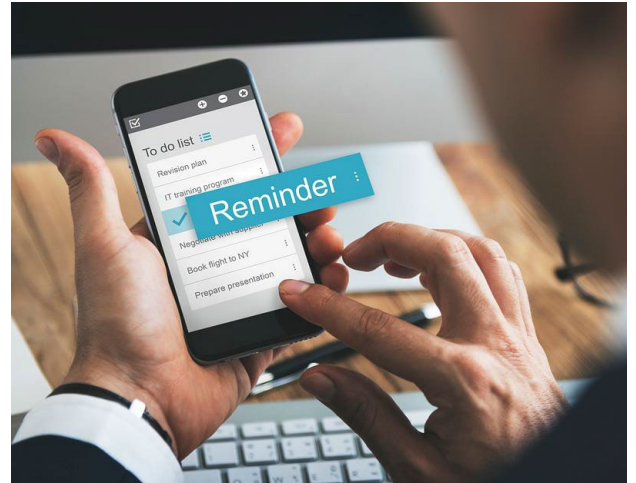
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ONGOING ACTIVITIES

Please remember to perform the following activities:

- Ensure no one exceeds the [2025 contribution limits](#) this year.
- Send all RIC Account Forms to RIC at 515-281-5102 (fax) or ric@iowa.gov.
- If a RIC participant leaves employment, email the term date to ric@iowa.gov.
- Give the RIC At-A-Glance to all new hires for their review.



RIC wants to hear from you!

Please submit your questions to RIC@iowa.gov. We will respond to you directly and if the subject of discussion is beneficial for all employers, we will share the answers in our next RIC Resource Bank.