

To: Employees Eligible to Participate in Supplemental Retirement Account (SRA) Plans

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Office of Human Resources and Strategic Talent Management (HRSTM)

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Subject: Roth Available February 1, New IRS Rule for Catch-Up Contributions Beginning in 2026

Signed into law in 2022, the SECURE 2.0 Act builds on earlier retirement legislation by expanding access to retirement savings and encouraging plan participation. One provision taking effect in 2026 will change how catch-up contributions are treated for certain retirement plan participants.

Beginning in 2026, employees who are age 50 or older and who elect to make catch-up contributions to the Montgomery College Supplemental Retirement Account (SRA) Plans will be required to make those catch-up contributions on a Roth (after-tax) basis if their prior-year FICA wages from Montgomery College were \$150,000 or more.

Catch-up contributions allow employees age 50 and older to save beyond standard IRS limits. Because Roth contributions are made after federal and state taxes, affected employees may see a reduction in net (take-home) pay. However, Roth contributions grow tax-free, and qualified withdrawals in retirement are also tax-free. **Beginning February 1, all employees can make Roth contributions to their SRA plans.**

Who is impacted? (This does not apply to all employees.)

You are affected by this change only if all of the following are true:

- You will be age 50 or older in 2026, and
- You elect to make your applicable catch-up contributions, and
- Your 2025 FICA wages from Montgomery College total \$150,000 or more.

Employees age 50 or older who earned less than \$150,000 in the prior year are not impacted and may continue to make catch-up contributions on either a pre-tax or Roth basis.

This change applies only to catch-up contributions. Employees under age 50, or those who do not elect to contribute up to the catch-up maximum, are not affected.

What do impacted employees need to do? (Action may be required.)

If you meet the age and earnings criteria and are already contributing the maximum, your catch-up contributions will automatically be treated as Roth contributions, unless you change how your elections are entered in Workday.

Available approaches include:

1. **Make maximum pre-tax contributions first, then Roth contributions.**
Default option; minimal action required if this aligns with your intent.
Enter both 403(b) Pre-Tax (may already be in place) and 403(b) Roth Catch-Up elections using the same percentage and effective date.
2. **Make the entire applicable maximum as Roth contributions.**
Enter both 403(b) Roth and 403(b) Roth Catch-Up elections using the same percentage and effective date.
3. **Make the required Roth catch-up first, then pre-tax contributions.**
Contact HRBenefits@montgomerycollege.edu for assistance.
4. **Make prorated pre-tax and Roth contributions simultaneously.**
Contact HRBenefits@montgomerycollege.edu for assistance.

Effective Date

Roth elections are available beginning February 1. To have changes apply as early as the February 6 pay date, elections in Workday should be effective January 30.

Contribution changes apply only to future pay periods and cannot be applied retroactively. Elections may be updated at any time during the year. If you wish to take advantage of all eligible remaining 24 pay periods, please enter your elections by January 30.

Zoom Office Hours for SRA Election Support

Only employees age 50+ with prior-year earnings above \$150,000 who plan to make catch-up contributions are subject to the new requirement. Employees who are affected by these changes and currently contributing the maximum to a 403(b) and/or 457(b) plan will receive additional communication under separate cover. Please remember that HRSTM cannot provide investment or tax advice.

If you are affected by the changes and need assistance, [join the Zoom Waiting Room during any of the following sessions](#) (please come prepared with your election percentages):

- Thursday 1/15, 4-5:30 p.m.
- Friday 1/16, 1:30-3 p.m.
- Tuesday 1/20, 9:30-11 a.m.
- Wednesday 1/21, 3-4:30 p.m.
- Thursday 1/22, 11 a.m.-12:30 p.m.

- Wednesday 1/28, 2-4 p.m.
- Thursday 1/29, 8:30-10:30 a.m.
- Friday 1/30, 10 a.m.-Noon

More Information

See the next page for some common Frequently Asked Questions. For questions about SRA elections, contact HRBenefits@montgomerycollege.edu.

Frequently Asked Questions

Why is this happening?

This change is required by federal law (SECURE 2.0 Act, Section 603) and applies to all employers that offer 401(k), 403(b), 457(b), and similar retirement plans. SECURE 2.0 legislation pursued many of the key themes of the original SECURE Act from 2019, including expanding access to retirement accounts and promoting plan participation. The goal is to expand employee retirement planning opportunities.

What are catch-up contributions?

Catch-up contributions allow employees age 50 or older to save additional money for retirement above the regular annual IRS limits. Depending on your age, the applicable catch-up contribution is added to the standard IRS retirement limit to calculate your total maximum contribution amount. The catch-up contribution for those age 50 and older as of December 31 is \$8,000, which yields a total contribution maximum of \$32,500, and the super catch-up for those age 60-63 is \$11,250, which yields a total contribution maximum of \$35,750.

What is a Roth contribution?

Unlike traditional pre-tax retirement contributions, Roth contributions are post-tax. This means they are deducted after you pay Federal and State taxes. You pay taxes now and your contributions and earnings grow tax-free when you are ready to take a distribution from the plan. Because Roth contributions are made after taxes, impacted employees may see a difference in net (take-home) pay.

If I am not enrolled in an SRA, but I am age 50+, what do I need to do?

If you do not intend to enroll in 2026, then no action is required. If you intend to enroll and wish to contribute the maximum, including the applicable catch-up, then you are subject to the Roth requirements discussed in this memo.

Does this affect my Maryland State Retirement Plan elections?

No. Employee pension deductions (made by participating employees) and ORP contributions (made on behalf of participating employees) are not affected by SECURE 2.0. Nothing changes and no action is required.