MANDATORY IRS CHANGES TO CATCH-UP CONTRIBUTION RULES FOR SOME PARTICIPANTS

Dear University of Pennsylvania Retirement Savings Plans Participant:

This is a general posting on this webpage that pertains only to certain University retirement plan participants who are over age 50 and earn $150,000 or more. If this communication applies to you, TIAA will send a personalized notice to you based on your elected TIAA communication preferences.

Penn's Retirement Savings Plans allow active employees to contribute up to $24,500 on a pretax basis and allows employees who are age 50 or older to make up to an additional $8,000 in catch-up contributions. These catch-up contributions are an IRS provision that offers an additional savings opportunity for you to pursue your retirement goals.

Change to catch-up contributions

Beginning with the 2026 calendar year, the SECURE 2.0 Act requires that all participants who earned over $150,000 in the previous year (2025) must make any age-based catch-up contributions to the Matching Plan and the Supplemental Retirement Annuity (SRA) Plan on a Roth after-tax basis. This applies even if your standard contributions are pre-tax. The Roth catch-up requirement doesn't apply if your prior-year FICA wages were $150,000 or less. This $150,000 threshold applies to 2026 and will be adjusted for inflation periodically by the IRS.

What this can mean for you

A Roth after-tax contribution means that taxes are taken out before it is contributed to the plan. This means you are paying taxes on the amount you contribute. That contribution grows tax deferred, and any eligible withdrawal—once the account has been open for five years and you've met certain plan distribution requirements—will be tax-free, including earnings.

If your prior-year FICA wages were more than $150,000, the plan must automatically designate any catch-up contributions you make as Roth after-tax. This Roth after-tax designation of any catch-up contributions will be done automatically through Penn payroll.

No action is required by you if you agree to have your catch-up contributions made on a Roth after-tax basis.

What the new age-based catch-up contribution rule can mean to employees ages 50 and over

All employees can make either pretax or Roth after-tax contributions up to the 2026 IRS limit of $24,500. For the catch-up contribution limits, see the table on the next page.

Employee age	Annual catch-up contribution limit	Contribution type for 2026	
		Prior year earnings greater than $150,000[1]	Prior year earnings less than or equal to $150,000[1]
50-59	$8,000	Must be Roth after-tax contribution	Pretax and/or Roth after-tax contributions
60-63	$11,250	Must be Roth after-tax contribution	Pretax and/or Roth after-tax contributions
64 or older	$8,000	Must be Roth after-tax contribution	Pretax and/or Roth after-tax contributions

1. The $150,000 Roth catch-up wage threshold will be adjusted for inflation periodically by the IRS. Earned wages are calculated based on the prior year's FICA wages (IRS W-2 form, Box 3) from the employer sponsoring the retirement plan for which you are making active contributions.

What if you do not want to make Roth catch-up contributions

If you do not want to make age based catch-up contributions on a Roth after-tax basis, you will need to change your salary deferral election to an annual amount that doesn't exceed standard, non catch-up contributions (see the directions below).

If you want to change your salary deferral election

- Go to the Penn Human Resources - Saving for Retirement webpage. In the green 'Enroll or Make Changes' box, click on the TIAA.org link.
- Select Accounts, then in the drop down under Quick Links select Manage Contributions.
- Select Manage Contributions again (next to your UPenn Accounts).
- Select Manage Contributions.

Please note: *Pretax catch-up elections that are automatically converted to Roth after-tax elections will revert to pretax at the beginning of the next calendar year. No action is required on your part for this reversion to occur. However, if you actively change your election to Roth after-tax by calling TIAA or logging into your TIAA Plan Focus account, your Roth after-tax election will remain in effect and will* ***not*** *revert to pretax.*

We are here to help

Making decisions about your retirement accounts can be challenging. We encourage you to consult with your tax professional to understand what is appropriate for you. TIAA financial consultants are here to help. Visit **tiaa.org/schedulenow** or call **800-732-8353** to meet with a TIAA financial consultant. If you have any additional questions or need help making a change to your salary deferral election, contact the TIAA Retirement Call Center at **877-PENN-RET (877-736-6738)**, weekdays from 8 a.m. to 10 p.m. (ET).

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