

FICA WAGE INDICATOR

FOR 457 CATCH-UP CONTRIBUTIONS



Why FICA wage reporting matters

Changes enacted under the SECURE 2.0 Act now require certain higher-earning participants who elect to make 457 catch-up contributions to contribute these contributions on a Roth basis.

In 2026, employees who earned \$150,000 or more in FICA wages in 2025 must make **457 catch-up contributions** on a Roth basis. The IRS will adjust this compensation amount annually to account for inflation.

Our recordkeeper's system can automatically flag individuals who meet the IRS compensation threshold, serving as a reminder that any elected catch-up contributions must be made on a Roth basis. **These flags will only appear once the FICA wage indicator has been set up by your organization.** When available, these notifications will be visible to you through the Plan Service Center (PSC) and will also appear within the affected employees' online accounts.

FICA wages are compensation reported in **box 3** of your employees' **W-2**. If there are no FICA wages reported (due to being Social Security exempt), the employee is exempt from the required Roth catch-up rule.

Setting up the FICA wage indicator

Add the FICA wage indicator using one of the following methods:

File upload option (*ideal for reporting a large number of impacted employees*)

1. Log in to the PSC and navigate to your 457 program.
2. Select **Administration** followed by **Employee data file upload** from the left navigation.
3. Select the **FICA prior year indicator** alert to view instructions and download a template.
4. Complete and upload the template.

Individual employee updates (*ideal for reporting a small number of impacted employees*)

1. Sign in to the PSC and navigate to your 457 program.
2. Select **Participants** followed by **Search employee** from the left navigation.
3. Select the employee you wish to add a FICA wage indicator for.
4. Select **Compensation** from the **Edit participant data** dropdown menu in the upper right corner.
5. Select **Yes** from the **FICA prior year indicator** dropdown menu under **FICA compensation details** and select **Save**.

Confirm the FICA prior year indicator has been applied with the following steps:

1. Navigate to the applicable employee.
2. Select the **Employee detail** tab.
3. View **Yes** in the FICA prior year indicator column of the compensation section.

Questions?

The MERS team at Empower is available to assist you by calling **800.767.6377**.