WAC 415-501-430 Are there exceptions to the annual deferral limits? As allowed by the Internal Revenue Service, you may defer more than the annual deferral limit if you qualify to use one of the "catch-up" provisions described in this section. You may not use both catch-up provisions during the same taxable year. The same annual limits apply for both Roth and pretax deferrals. These limits are combined totals even if you contribute to both.

(1) **Age 50 and over:** You may defer a higher amount in any year that you are age 50 or older. The maximum you may defer each year is the sum of the annual deferral amount for the current taxable year plus the age 50 and over catch-up amount established by the IRS under 26 U.S.C. Section 414(v). Beginning January 2026, the catch-up amounts must be reported as Roth contributions if you made more than $145,000 (adjusted annually for inflation) in wages from your DCP employer in the prior calendar year. If you made $145,000 or less in wages from your DCP employer in the prior calendar year, then you have the option to contribute the catch-up amounts as Roth deferrals.

(2) **Three years before normal retirement age:** You may defer a higher amount during a period of three consecutive years immediately preceding the taxable year in which you reach normal retirement age as defined in WAC 415-501-110(13). The maximum you may defer during each of the three years is the lesser of:

(a) Twice the annual deferral limit; or

(b) The sum of the annual deferral limit for the applicable years, plus the portion of the annual deferral limit for any prior taxable year that you have not previously used.

(i) For years prior to 2002, amounts you deferred under certain other plans must be considered in determining the unused amount, consistent with Treasury Regulation 1.457-4 (c)(3)(iv).

(ii) A prior taxable year may be taken into account only if:

(A) It begins after December 31, 1978;

(B) You were eligible, during any portion of the taxable year, to participate in the plan; and

(C) Compensation deferred under the plan during that year, if any, was subject to a deferral limit under WAC 415-501-420.

Three-year catch-up example one: At age 64, Pat, a PERS 2 member, declares their normal retirement age of 66 and begins deferring the higher annual limit. Pat's intention is to retire at age 65 so that they can use the higher catch-up amounts in their final year of employment.

After a year, at age 65, Pat decides that they would like to work another year until age 66. Since Pat already declared age 66, the higher limit amount cannot be used beyond the year they turn 65. They cannot change their declared normal retirement age to 67 and continue with the higher deferral amounts for a third year.

Though Pat cannot change the normal retirement age once declared, there is no issue with working beyond the normal retirement age. They will only be able to defer the standard limit amount for their age, not the special three-year catch-up amounts in the year of their declared normal retirement age or beyond.

Three-year catch-up example two: At age 60, Alex has 30 years of service and declares their normal retirement age of 63 and begins to defer the higher annual limit. At age 62, they decide to retire and at the time of retirement defer their vacation leave cash out. This is acceptable as long as their deferrals for the year are not in excess of the catch-up limit. The declared age of 63 allows for catch-up deferrals in the calendar years that Alex was 60, 61, and 62; retiring

prior to age 63 does not affect the years the higher deferral amounts are allowed.

[Statutory Authority: RCW 41.50.050 and SECURE Act of 2022 (P.L. 117-328). WSR 26-03-069, s 415-501-430, filed 1/16/26, effective 1/17/26. Statutory Authority: RCW 41.50.050, 41.50.770, and SECURE Act 2.0 § 603. WSR 23-18-025, § 415-501-430, filed 8/25/23, effective 9/25/23. Statutory Authority: RCW 41.50.050(5). WSR 14-10-045, § 415-501-430, filed 4/30/14, effective 6/1/14. Statutory Authority: RCW 41.50.050(5), 41.50.780(10), and 41.50.770. WSR 04-22-053, § 415-501-430, filed 10/29/04, effective 11/29/04. Statutory Authority: RCW 41.50.050(5), 41.50.030(2), 41.50.088(2), 41.50.770, and 41.50.780, 26 U.S.C. (Internal Revenue Code) and related tax regulations. WSR 02-01-121, § 415-501-430, filed 12/19/01, effective 1/1/02. Statutory Authority: RCW 41.50.770, [41.50.]780 and 41.50.050. WSR 00-11-104, amended and recodified as § 415-501-430, filed 5/18/00, effective 6/18/00. Statutory Authority: RCW 41.50.050. WSR 98-20-047, § 415-512-030, filed 9/30/98, effective 10/31/98. Statutory Authority: RCW 41.50.050 and 41.50.780(11). WSR 96-16-020, § 415-512-030, filed 7/29/96, effective 7/29/96.]