

PAYROLL



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About the Coalition

The Coalition sustains the dialogue between HCM / Payroll software firms, payroll processors, bundled payroll service providers, and retirement plan service providers.

- Define payroll administration quality and drivers of excellence
- Advocate for employer adoption of preferred practices
- Facilitate 360 data exchange

2025 EACH Roundtable – Implementation

We gratefully recognize the members of the Implementation Round Table, whose leadership and financial contributions make the work of the Coalition for Payroll Excellence possible. Their continued support enables us to advance industry standards, foster innovation, and deliver meaningful results across the payroll community.

- Corebridge Financial
- Empower
- FIS Global
- InfoSys
- Manulife/John Hancock
- Nationwide
- The Standard
- TruStage
- Voya Financial



WILL YOUR EDI STANDARDS BE IN COMPLIANCE WITH SECTION 603 OF SECURE ACT 2.0 BY DECEMBER 31, 2025?

As an HCM / Payroll EDI professional, you have five requirements from a data exchange template for retirement plans. A template must be:

1. Clear and complete,
2. Common, shared among many 401(k) plan providers and retirement plans, and preferably publicly available,
3. Flexible enough to accommodate your systems and format constraints,
4. Requiring as little customization as humanly possible, and
5. Updated regularly to keep up with compliance requirements,

Version 7 of the payroll feed template from the Coalition for Payroll Excellence posted [HERE](#) meets all these requirements and will help you bring your standard 401(k) plan data exchange format in compliance with Section 603 of SECURE Act 2.0. This updated standard published July 15, 2025 introduces a few innovations

1. Introduction of a FICA wages over \$145,000 indicator (Y/N toggle) that must be in place before December 31, 2025
2. Introduction of a Roth catch-up contribution amount in the return file to accommodate plans and providers that allow participants to invest catch-up contributions throughout the calendar year, even before the 402(g) limit is reached.

Version 7 incorporates previous templates for 180 and 360 data exchanges, definitions that eliminate ambiguity, and a series of best-practices that will help your firm add value for current and potential clients in the EDI or API process.

Regardless of the data standards you adopt, you will want to engage with retirement plan service providers and reserve space on your systems plan now to update EDI standards to comply with Section 603 of SECURE 2.0 well before December 31, 2025.



ACT NOW!

While Time is On Your Side

Update Payroll Systems Now to Address New Roth Catch-Up Rules



SECURE 2.0

What you need to know

SECURE 2.0 continues to pose new challenges for payroll processors and others in the retirement plan industry. Section 603 of the landmark legislation requires high earners (people who earn more than \$145,000 in FICA wages, indexed for inflation in year Y) to make catch-up contributions on a Roth, or after-tax, basis in year Y+1. This change takes effect on January 1, 2026.

A challenge for HCM/payroll providers will be to update payroll administration systems and file exchanges so they can identify and notify participants quickly once a 401(k) or 403(b) plan participant crosses the annual \$145,000 threshold in FICA earnings and once they have reached the limit for regular contributions (\$23,500 for 2025). After those thresholds, 2026 participant contributions will be considered to be catch-ups and will be restricted to Roths.

Actions to take:

- Engage with retirement plan service providers: Collaborate to create optimal upgrades to systems.
- Download [HERE](#) to your calendar: September 16, 2:00 p.m. Eastern Time. Teams meeting inviting input on a survey of 500 payroll administrators on the dashboard and functionality of their HCM/Payroll platform.
- Download [HERE](#) the draft questionnaire: Complimentary survey findings, insights, and recommendations will be available for participating HCM/Payroll firms.



CASE-IN-POINT

- Age 50-60 working in New Jersey
- Married with 2 children filing jointly
- \$12,000 monthly FICA wages
- \$50,000 unexpected bonus in October 2025
- 2026 compensation unchanged
- Federal withholding: 13%
- NJ withholding: 2%
- 2026 402 (g) limit: \$23,500 (unchanged)
- 2026 catch-up limit: \$7,500 (unchanged)

Here's a tricky scenario to prepare for: An employee earns less than \$145,000 annually as of January 1, 2025. However, after a raise or bonus, their annual earnings will be more than \$145,000 come year-end 2025. As noted above, once that employee has reached the \$23,500 regular contribution limit in 2026 (adjusted for inflation), they'll have to contribute any catch-ups as Roths. Also, vitally important: any previous catch-up contribution for 2026, erroneously coded as pre-tax will have to be re-characterized as Roths.

ACTION TO TAKE:

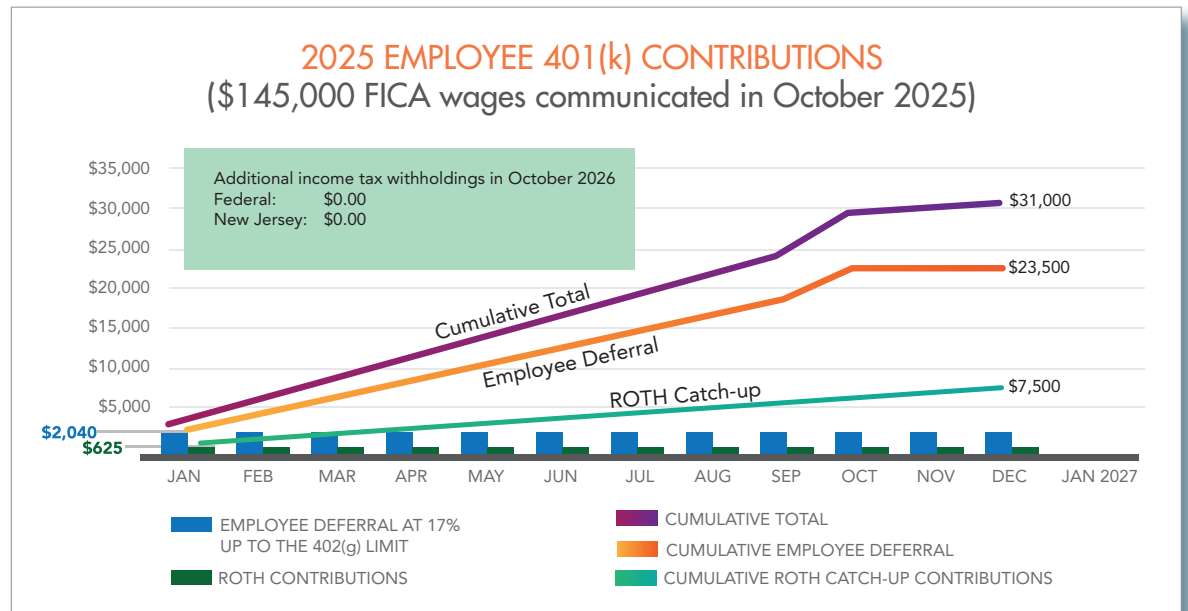
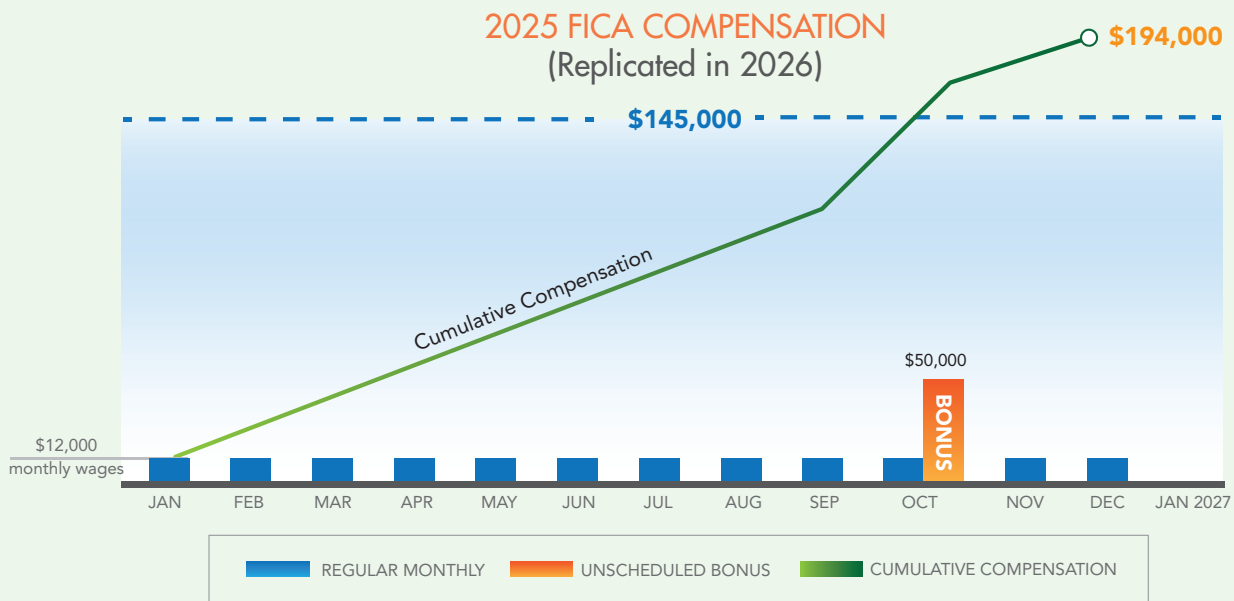
Although there is no guidance yet from the U.S. Department of Labor or the U.S. Treasury, set up efficient systems NOW to track FICA wage earners over \$145,000 and to include an indicator in your feed to 401(k) plan service providers. This will prevent any errant contributions and allow them to be corrected as soon as possible, rather than in the middle of calendar year 2026, and in any case before W-2 forms for calendar year-end 2026 have been issued.

Benefits from being proactive on this:

- **Streamlined, more efficient, state-of-the-art payroll processing**
- **Fewer error corrections and exceptions**
- **Reduced litigation cost and risks**
- **Happier employees with better retirement outcomes**
- **Enhanced client loyalty**
- **Improved payroll processor reputation**

The problem with waiting for guidance from the IRS and DOL before making necessary payroll systems changes is that the guidance could come too late to act on in an efficient and timely manner. Being proactive on this is in every stakeholder's best interests.

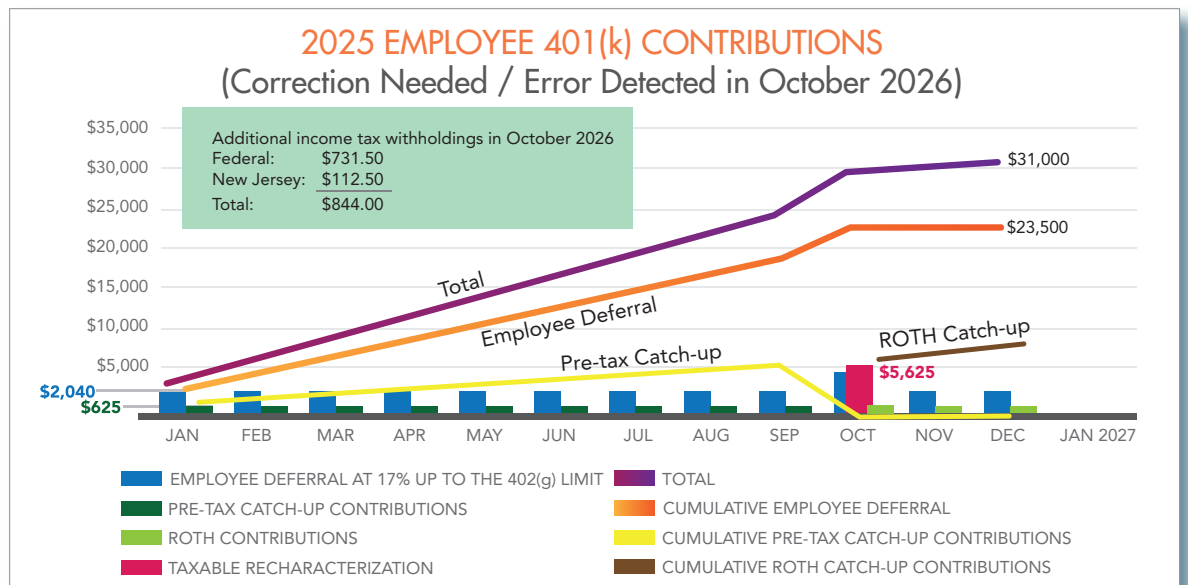




YES

**PAYROLL
PLATFORMS
NOTIFIED 401(K)
PROVIDER**

NO



Best 401(k) Plan that money can buy

Insight from [Eric Henon](#) – Founder and Managing Partner, EACH Enterprise

“AI will tell you that the best 401(k) money can buy has low fees, but I take exception to this.”



A plan sponsor is expected to act in the best interest of participants, and the best interest of participants is for the plan sponsor to pay for most if not all fees associated with plan administration. Plan sponsors who pay most if not all fees are going to look for the best service their money can buy.

The best plan that money can buy necessarily delivers superior outcomes for participants, in terms of their ability to retire comfortably and at a reasonable age.

PLAN DESIGN

Plan design – money purchase or cash balance plan, combined with a 401(k) plan, and an NQDC plan for highly compensated employees and those earning more than \$145,000 who are constrained by legislation. Default options that will lead participants to success (especially long-time employees who entered the plan late, or did not save enough for retirement for no fault of their own).

PAYROLL INTEGRATION

Payroll integration – automating the exchange of data between HCM / Payroll platform and retirement plan recordkeeper reduces the risk of data entry error and enhances the recordkeeper’s ability to provide services without plan sponsor involvement (e.g. eligibility determination, vesting, distributions, rehires, etc.). Selecting the correct level of service from the HCM / Payroll platform instead of the lowest cost can save precious HR staff and Finance staff time otherwise allocated to administrative task and error correction.

ROTH CONTRIBUTIONS

Roth contribution types are a necessity post SECURE 2.0, to allow employees with FICA wages over \$145,000 to make catch up contributions. Roth account balances accumulate tax deferred, and are not subject to income tax at the time of distribution. Roth is a tax-efficient alternative to retail brokerage accounts invested in equity with a buy-and-hold strategy to avoid short-term capital gain tax liability.

FINANCIAL WELLNESS

Comprehensive financial wellness counseling to guide participants in a wide range of life situations through tough financial decisions caused by personal hardship, dependent care responsibilities, unfavorable tax treatment, or exceptional exposure to cyberfraud.

PERSONALIZATION

Personalizable investment options, including asset allocation models that include an allocation to alternative asset classes uncorrelated with bond or equity returns. Yes, that might include an allocation to private equity, private real estate, private debt, and maybe perhaps select crypto investments.

RETIREMENT INCOME COUNSELING

Retirement income counseling that encompasses all options available – in and out- of plan – to act in the best interest of participants, and to empower pre-retirees to access retirement success regardless of stage in the equity market cycle.

PROFESSIONAL ADMINISTRATION

Professional administration. If the plan sponsor does not employ a dedicated retirement plan specialist with extensive experience running retirement plans, retain the services of a professional administrator who accepts ERISA 3(16) fiduciary, and maybe even 402(a) fiduciary status. Why not? These services can be obtained through a Pooled Plan Provider in the context of a PEP plan or in a single employer plan.



TOP-NOTCH 401(k)



EXCEPTIONAL SERVICE

Exceptional plan sponsor service – Client Relationship Manager who reports to the plan fiduciary and delivers recommendations to decision makers that help them act in the best interest of participants and responsive day-to-day account manager who answers questions promptly. Both act as a well connected team that communicates frequently, leveraging technology such as Salesforce and MS Teams.

EXCEPTIONAL ADVICE

Plan and investment advice from the very best. The best plan advisors are connected with the best stakeholders in the industry and know how to create partnerships that enhance total value, not just the sum of its parts. Specialists have the knowledge to discern superior quality from low-cost, and at-par service performance.

BENCHMARKING

Frequent benchmarking to verify that outcomes are in the top decile, and services are top-notch, up-to-date, and the best that money can buy.

TAKEAWAY

Yes, the solution could be the most expensive in the market. When the plan sponsor covers all the fees, considering only cost does not act in the participants' best interest.

For sponsors so fortunate to operate in a sector or market that requires the best talent that money can buy, indeed, the retirement plan also should be the best that money can buy, and it could be the most expensive option available.

Why wouldn't you get the best for your employees if you can afford it?

If your employees merit it and you can afford it, buying them a Rolex® time piece at retirement is a great choice.





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