

For: FAS, FSA, and RMA Employees

Catch-up Contributions

Approved by: Deputy Administrator, Management



1 Overview

A Background

Pub L. 107-304 permits eligible Thrift Savings Plan (TSP) participants who are age 50 and older to make tax-deferred “catch-up” contributions from basic pay to their TSP accounts. These contributions are in addition to their regular TSP contributions and do **not** count against the statutory contribution limit or the Internal Revenue Service (IRS) elective deferral limit.

B Purpose

This notice:

- announces TSP catch-up opportunity
- provides information on eligibility criteria and catch-up contribution limits.

2 Eligibility and Limits

A Eligibility

To be eligible to make catch-up contributions to TSP, a participant must:

- be at least 50 years old in the year the catch-up contribution is made (even if the participant’s 50th birthday is December 31 of that year)
- be in a pay status

Disposal Date	Distribution
January 1, 2004	All FAS, FSA, and RMA employees; State Offices relay to County Offices

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2 Eligibility and Limits (continued)

A Eligibility (Continued)

- be contributing either the maximum TSP percentage (13 percent if FERS/FSPS and 8 percent if CSRS/FSRDS in 2003), or a dollar amount that will result in reaching the elective deferral limit by the end of the relevant tax year; (\$12,000 for 2003)
- **not** be in the 6-month non-contributions period following receipt of a financial hardship in-service withdrawal.

B Annual Limits

While catch-up contributions are **not** subject to IRS elective deferral limit (\$12,000 in 2003), they are limited as follows.

Year	Maximum Catch-up Contribution	Regular TSP Limits		IRS Elective Deferral Limit
		FERS/FSPS	CSRS/FSRDS	
2003	\$2,000	13 percent	8 percent	\$12,000
2004	\$3,000	14 percent	9 percent	\$13,000
2005	\$4,000	15 percent	10 percent	\$14,000
2006 and hereafter	\$5,000 with increases based on inflation	Limits Eliminated		\$15,000

In regular TSP contributions, the catch-up contribution limit applies to the tax year in which the pay date falls.

Note: Pay period 25 ends in calendar year 2003, however, the official pay date falls in tax year 2004; therefore, TSP contributions for that pay period would apply to tax year 2004 **not** 2003.

3 Tax Treatment of Catch-up Contributions

A Affect on Basic Pay

Both TSP and catch-up contributions are made on a pre-tax basis. This means they are withheld from basic pay before Federal and State income taxes are calculated.

Because these contributions are taken from “before-tax” dollars, they cannot be made by personal check; they must be made by payroll deduction.

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3 Tax Treatment of Catch-up Contributions (Continued)

B Tax Reporting

Catch-up contributions will be included with regular TSP contributions on W-2, Wage and Tax Statement. Agencies are **not** required to distinguish between regular and catch-up contributions on W-2.

4 Electing TSP Catch-up Contributions

A Making an Election

To elect TSP catch-up contributions, TSP-1-C must be processed. Employees are encouraged to process TSP-1-C using Employee Express (EEX) with their EEX Personal Identification Number (PIN). EEX may be accessed by using either of the following methods:

- internet explorer or netscape navigator and logging on to <http://www.employeeexpress.gov>
- telephone at 912-757-3086 or 1-800-827-6291.

A hard copy of TSP-1-C may be submitted to your Servicing Personnel Office (SPO) for processing. TSP-1-C will only be available online at: www.tsp.gov under "Civilian", click on "Forms and Publications". The form will be available July 1, 2003. Agencies will **not** receive a distribution of TSP-1-C.

If election is processed through EEX, do **not** submit a hard copy to SPO. This may cause duplicate entry, which will suspend the processing of the contribution.

B Initial Elections

The initial TSP catch-up election may be made beginning July 2003, to be effective the first full pay period in August 2003 (pay period 15). The contribution elected must be in whole dollar amounts, which will be deducted from basic pay each pay period.

The dollar amount elected will be withheld each pay period until the following:

- annual catch-up limit is reached
- calendar year ends
- participant elects to stop the contribution.

All elections terminate with the last pay date of the tax year to which it applies.

4 Electing TSP Catch-up Contributions (Continued)

C Future Elections

Catch-up contributions are **not** subject to the open season rules, and more than 1 election may be made in any given year as long as the annual limit is **not** exceeded. See subparagraph B for annual limits.

Contributions are made effective the first full pay period after the election is made through EEX or TSP-1-C is received by SPO.

A new election must be made each year because the annual limit changes.

5 Terminating and Restarting Catch-up Contributions

A Catch-up Contributions

Participants may stop their catch-up contributions at any time without penalty. They may also restart them at any time. The termination of catch-up contributions does **not** affect regular TSP contributions.

The catch-up contribution election terminates automatically with the last pay date of the year in which it applies, unless previously terminated or annual catch-up limit was previously reached.

B Regular Contributions

If regular contributions are stopped, the catch-up contribution must also stop.

If a financial hardship in-service withdrawal is processed, catch-up contributions are stopped along with regular contributions.

6 Miscellaneous

A Agency Contributions

Catch-up contributions are **not** eligible for matching agency contributions.

B Fund Allocations for Catch-up Contributions

Catch-up contributions will be invested in TSP account based on the participant's most current contribution allocation on file with TSP. Participants are reminded that contribution allocations must be made directly with TSP using the following:

- TSP web site
- thriftline
- submission of TSP-50 to the Thrift Board.

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6 Miscellaneous (Continued)

C Insufficient Pay

If participant's elected catch-up contribution amount exceeds their net pay for the pay period, **no** catch-up contributions will be withheld for that pay period. This is the same rule as for regular TSP contributions

D Nonpay Status

If participant enters nonpay status during the year, the catch-up contributions will stop. When the participant returns to pay status, he or she cannot make-up missed payments, but can submit a new election increasing the amount withheld each pay period and effectively make the maximum catch-up allowed for that tax year.

E Processing Order

In order to ensure that participants maximize regular TSP contributions and fulfill TSP loan repayment obligations, catch-up contributions are processed after all regular, make-up and loan repayment deductions are made.

F Civilian and Military TSP Account

If participant is currently contributing to both a civilian and uniformed services TSP account, he or she can make separate catch-up contributions to each account as long as the total for both accounts does not exceed the annual catch-up limit.

G Contacts

Employees should contact their SPO for additional information according to the following table.

Employee Location	SPO Contact
FSA, FAS, and RMA National Office, RMA Regional and Compliance Offices FAS Overseas	HRD/PMBAB at: <ul style="list-style-type: none">• 202-418-9021• 202-418-9039• 202-418-9034.
Kansas City FSA Complex, RMA Kansas City Offices, St. Louis Office	Kansas City, HRD/C&OB/Processing Section at 816 926-6225.
State Office	State Office, Administrative Office.
County Office	State Office, Administrative Office.