

Catch-Up Contributions

What are catch-up contributions?

“Catch-up contributions” are supplemental tax-deferred employee contributions that employees age 50 or older can make to the TSP beyond the maximum amount they can contribute through regular contributions.

Who is eligible to make catch-up contributions?

To be eligible to make catch-up contributions, you must be:

- age 50 or older during the calendar year in which the catch-up contributions are made (even if you become age 50 on December 31 of that year);
- currently employed and in pay status; and
- contributing either the maximum TSP contribution percentage allowed by your retirement coverage type **or** contributing an amount that will cause you to reach the Internal Revenue Service (IRS) elective deferral limit by the end of the calendar year. (The latter case includes situations where you might be contributing — or might have contributed — to a civilian or uniformed services TSP account (or both) or another eligible employer plan (e.g., another 401(k) plan). In such a case, if your combined contributions would cause you to reach the elective deferral limit, you would be eligible to make catch-up contributions.)

You are not eligible to make catch-up contributions within 6 months of making a financial hardship withdrawal.

How much can I contribute?

If you are otherwise eligible, you can contribute up to the annual maximum dollar

amount allowed by the IRS. (Catch-up contributions have an annual IRS limit, just as regular contributions have an annual IRS elective deferral limit.)

Because catch-up contributions are supplemental, they do not count against either the regular TSP contribution limits (15% for FERS employees and 10% for CSRS employees for 2005) or the IRS elective deferral limit (\$14,000 for 2005). However, the combination of regular and catch-up TSP contributions cannot exceed the total IRS contribution limit for the year. For example, for 2005, your contributions cannot exceed \$18,000 (i.e., the \$14,000 elective deferral limit on regular TSP contributions, plus the \$4,000 catch-up contribution limit). See the chart below for the limits on regular tax-deferred contributions and on catch-up contributions.

Year	TSP Limit		IRS Limits		
	FERS	CSRS and Uniformed Services	Regular Contributions*	Catch-Up Contributions	Total Contributions
2005	15%	10%	\$14,000	\$4,000	\$18,000
2006 and thereafter	Limits eliminated		\$15,000	\$5,000**	\$20,000

* For uniformed services participants, this includes tax-deferred contributions from incentive pay and special pay, including bonus pay.

** After 2006, this amount will be subject to increases to reflect inflation.

Catch-up contributions are applied to the year of the pay date for which they are made. This means that, for example, if your payroll office reported your catch-up contributions for the pay date December 31, 2004, and the TSP posted this contribution to your account on January 2, 2005, the 2004 limit would apply.

Will I receive any matching contributions on my catch-up contributions?

No. There are no matching contributions on catch-up contributions.

Can I make catch-up contributions from bonus pay?

No. Catch-up contributions can only be made from basic pay. Bonuses (or, if you are a member of the uniformed services, special pay or incentive pay) cannot be applied toward catch-up contributions.

What happens to my catch-up contributions when the TSP receives them?

When the TSP receives your catch-up contributions, it posts them to your account according to your most current contribution allocation. You cannot make a separate contribution allocation for catch-up contributions.

Once your catch-up contributions are posted to your TSP account, they become part of your account balance and are subject to the same rules as any other tax-deferred employee contributions:

- You are immediately vested in them;
- An interfund transfer has the same effect on them as on the rest of the money in your account;
- They are available for loans and in-service withdrawals; and
- Spousal rights apply.

How do I make catch-up contributions?

You can make catch-up contributions only through payroll deductions. This is because catch-up contributions are made before Federal, and in most cases state, taxes are deducted. To make catch-up contributions, you must submit a Catch-Up Contribution Election (Form TSP-1-C, or Form TSP-U-1-C for members of the uniformed services) to your agency or service. You must indicate the dollar amount you would like to contribute each pay period, and you must certify that you will contribute the maximum amount of regular contributions for the year. You can obtain Form TSP-1-C from your agency or Form TSP-U-1-C from your service. Both forms are available from the TSP Web site (www.tsp.gov). If your agency or service uses an electronic version of the form (e.g., on Employee Self-Service, PostalEase, or myPay), you may be required to submit your election electronically. (Check with your agency or service for guidance.)

When can I make a catch-up contribution election?

You can make your election at any time. Your election will become effective the first full pay period after your

agency or service receives it. The election will only be valid through the end of the calendar year in which it is made. This means that you will have to submit a new Catch-Up Contribution Election form each year. Your contributions will continue until the end of the calendar year unless you reach the annual catch-up contribution limit before that time or elect to stop making catch-up contributions.

Can I change or stop my catch-up contributions at any time?

Yes. To change or stop making catch-up contributions, complete another Catch-Up Contribution Election form. You can restart your contributions at any time.

Once you stop catch-up contributions, they will not resume automatically. You will have to complete another election form to start them again.

How are these contributions reported to the IRS?

Catch-up contributions are reported on your W-2, Wage and Tax Statement, where they are combined with your regular TSP contributions.

What special rules or conditions apply to uniformed services participants?

Catch-up contributions made to a uniformed services account are subject to the same rules as catch-up contributions made to a civilian account. However, for a uniformed services account, certain special rules apply:

- You must use Form TSP-U-1-C (or its electronic equivalent) to initiate the contributions.
- Catch-up contributions can only be made from tax-deferred income. If you are in a combat zone, you cannot make catch-up contributions from tax-exempt pay.
- You cannot use incentive or special pay (including bonus pay) to make catch-up contributions.
- If you have both civilian and uniformed services accounts and are contributing the maximum amount of regular contributions to both accounts, you can also make catch-up contributions to both accounts, as long as the total catch-up contributions for the two accounts do not exceed the catch-up contribution limit for the year. If you exceed the maximum limit for catch-up contributions because you contributed too much to both accounts, the TSP will refund the excess amount, plus earnings, to you no later than April 15 of the following year.