

Catch-Up Contributions

What are catch-up contributions?

“Catch-up contributions” are supplemental tax-deferred employee contributions that employees age 50 or older (or turning age 50 during the calendar year) can make to the TSP beyond the maximum amount they can contribute through regular contributions. In 2009, you could contribute up to \$5,500 in catch-up contributions. The 2010 limit for catch-up contributions did not change and remains at \$5,500.

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
- making regular contributions to a civilian or uniformed services TSP account (or both), and/or an equivalent employer plan (such as a 401(k), 403(b), or 408 plan), that will equal the maximum allowed by the Internal Revenue Service (IRS), which is \$16,500 for 2009 and for 2010.

You are not eligible to make catch-up contributions (or regular contributions) within 6 months of making a financial hardship withdrawal from the TSP.

How much can I contribute?

If you are otherwise eligible, you can contribute up to the annual maximum dollar amount allowed by the IRS elective deferral limit. Catch-up contributions have an annual IRS limit of \$5,500 for 2009 and for 2010. These limits are subject to annual increases for inflation.

Because catch-up contributions are supplemental, they do not count against the IRS elective deferral limit (\$16,500 for 2009 and for 2010). However, the combination of regular and catch-up TSP contributions cannot exceed the total IRS contribution limit for the year. For example, for 2010, your contributions cannot exceed \$22,000 (i.e., the \$16,500 elective deferral limit on regular TSP contributions, plus the \$5,500 catch-up contribution limit).

Catch-up contributions apply to the year during which you made them, even if they are posted to your account in the following year (i.e., your contributions for the last pay date in December may not be posted until January, but will be counted toward the limit in December).

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.

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 expect to 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 also 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 Express, PostalEase, EBIS, 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.

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. (However, you may change the allocation of contributions to your account at any time on the TSP Web site, www.tsp.gov; over the telephone on the TSP ThriftLine; or by submitting Form TSP-50/U-50, Investment Allocation, directly to the TSP.) 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 withdrawals.
- Spouses' rights apply.

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

Yes. To change or stop making catch-up contributions, you simply submit another Catch-Up Contribution Election (Form TSP-1-C or Form TSP-U-1-C).

Once you stop catch-up contributions, they will not resume automatically. However, you can restart your contributions at any time by completing another Catch-Up Contribution Election form or by using your agency's or service's electronic version.

How are these contributions reported to the IRS?

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

Do 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.
- You can only make catch-up contributions from your tax-deferred income. Therefore, you cannot use tax-exempt pay earned in a combat zone to make catch-up contributions.
- 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 (not to exceed the 2010 elective deferral limit of \$16,500 as the combined total of both accounts), you can also make catch-up contributions to both accounts. The total in catch-up contributions for the two accounts must 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, from your uniformed services account first, no later than April 15 of the following year.