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DELAWARE BULLETIN NO. DE-360-4-3

SUBJECT: PER – Thrift Savings Plan (TSP) Catch-Up Contributions for Calendar Year 2004

Purpose: To provide information on TSP Catch-Up Contributions for CY2004.

Expiration Date: December 31, 2004.

Catch-up contributions are additional tax-deferred contributions, separate from regular TSP contributions. The maximum TSP catch-up contribution for 2004 is \$3000. To be eligible, you must:

- be age 50 or older in the year in which you submit your election (by December 31, 2004 for 2004);
- be in a pay status;
- be making regular TSP contributions at either the maximum TSP contribution percentage allowed by your retirement plan (CSRS – 9%; FERS – 14%) or any dollar amount which will result in reaching the IRS annual elective deferral limit by the end of the year; and
- not be in the 6-month non-contribution period following receipt of a financial hardship in-service withdrawal.

Catch-up contributions have their own annual limit separate from the IRS elective deferral limit for regular TSP contributions. The following chart demonstrates the annual catch-up contributions limits.

Year	IRS Limit on Catch-Up Contributions
2003	\$2,000
2004	\$3,000
2005	\$4,000
2006 and thereafter	\$5,000*

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

DIST: AE

The IRS annual limit applies to the total you contribute to your regular TSP account AND any other eligible tax-deferred plans. For example, in addition to your TSP account, you may be contributing to a 401k plan.

The Internal Revenue Service (IRS) annual elective deferral limit for 2004 is \$13,000. In 2005, the limit increases to \$14,000.

Catch-up contributions are not tied to open seasons the way regular TSP contributions are. Therefore, you may submit elections at any time to start, stop, or restart catch-up contributions, or to change the amount of your contribution, as long as you meet the eligibility requirements for participation. You can make your TSP Catch-up election via Employee Express at <https://www.employeeexpress.gov/> or by submitting Form TSP-1-C to Human Resources. (NOTE: Only those employees eligible for TSP Catch-up will have it as an option on the menu of choices in Employee Express.) You may download a copy of form TSP-1-C at <http://www.tsp.gov/forms/index-forms.html>.

TSP Catch-up elections received on or before December 13, 2003, will be effective December 14, 2003. TSP Catch-up elections received after December 13, 2003, will become effective the first full pay period after it is received.

You may designate any amount you wish to be deducted each pay period as long as it doesn't exceed your net pay or the annual catch-up limit. This amount must be designated as a whole dollar amount. Percentages will not be used.

If you wish to spread your catch-up contributions evenly over the calendar year, base your computation on the number of pay dates remaining in the calendar year following the effective date of the enrollment. Divide the total amount you wish to contribute by the number of pay dates remaining in the calendar year. For example, if your catch-up contribution election is effective December 14, 2003, there are twenty-six (26) pay dates for 2004 (Pay Periods 25 & 26 and Pay Periods 1 - 24). Based on this example, if you wish to contribute \$3,000 (the maximum for 2004), you will need to contribute \$116 each pay period.

Remember, you will be able to enroll or make changes at any time because catch-up contributions are not tied to an open season. If you later discover your contribution amount will result in contributing less than the maximum allowable amount by the end of the calendar year, you can always submit another election and increase your contribution amount.

When can you enroll for calendar year 2004? Enrollment for calendar year 2004 should take place as follows.

- ◆ If you are already age 50 -- or will be by December 31, 2003 -- you may enroll beginning November 30, 2003. An enrollment submitted November 30 to December 13, 2003 will be effective December 14, 2003, with the first deduction occurring on pay date January 5, 2004.
- ◆ If your 50th birthday falls during 2004, you may enroll beginning January 1, 2004. An election submitted January 1 to 10, 2004 will be effective January 11, 2004 (Pay Period 1), with the first deduction occurring on pay date February 2, 2004. In this scenario, there are 24 pay dates in 2004.

Catch-up contributions will automatically stop with the last pay date in the calendar year (Pay Period 24 for 2004) or when you reach the maximum dollar limit for the year. Because the annual

IRS elective deferral limit for catch-up contributions changes each year, participants must make a new election each year.

Catch-up contributions must be deducted from basic pay each pay period; therefore, employees must be currently employed by the Federal government and receiving pay.

Catch-up contributions stop while you are in a nonpay status and resume on return to pay status. You may not make up catch-up contributions missed while in a nonpay status, but you can submit a change increasing the amount withheld each pay period and thus make the maximum catch-up contribution allowed by law for that year.

If you return to a pay status after the last pay date in the calendar year, or if your leave without pay status carries over and you return to a pay status in the next calendar year, your catch-up contributions will NOT automatically resume. If you wish to make catch-up contributions for the next calendar year, you will have to submit a new election for that calendar year.

Catch-up contributions will be invested in the TSP funds according to your most recent contribution allocation. Catch-up contributions are not eligible for agency matching contributions.

If you have any questions regarding the TSP Catch-Up, please contact Karen Stubbs at (302)678-4173.

/s/

RICHARD N. VIGIL
State Conservationist
