

# ARMY BENEFITS CENTER - CIVILIAN (ABC-C)



## SPECIAL EDITION

# ABC-C News

Volume 3, Issue 6

November 2005

To reach the ABC-C: <https://www.abc.army.mil> or 1-877-276-9287 (TDD: 1-877-276-9833)  
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## Important Changes to TSP

Effective the first full pay period in January 2006 (January 8, 2006), employee contributions to the TSP will be limited only by the restrictions imposed by the Internal Revenue Service (IRS). The IRS limit is \$15,000.00 in 2006. If your salary is \$100,000.00 or more, and you contribute 15% of your base salary to TSP, you will reach the IRS limit. Once the maximum contribution limit is reached, your employee contributions and Agency matching contributions will be suspended for the remainder of the year. If you are 50 years of age or older, you will still be able to continue participation in the TSP Catch-Up program even if your employee contributions reach \$15,000.00.

- ▶ For example, let's say you are a Federal Employees Retirement System (FERS) employee. You earn \$50,000.00 per year and contribute 16% of your base salary to TSP. Each pay period, \$308.00 is invested in TSP. Since you have not reached the IRS limit, you will receive Agency matching contributions for all 26 pay periods.
- ▶ Or, let's say you got that big promotion and you are a FERS employee who now earns \$130,000.00 per year. You contribute 15% of your base salary to your TSP account. Each pay period, \$750.00 is invested in TSP. By the 20<sup>th</sup> pay period, you have reached the IRS maximum employee contribution of \$15,000.00. Your employee contributions will be stopped for the remainder of the year and you will no longer receive Agency matching contributions. However, if you had elected to invest \$577.00 per pay period, you would have received the matching contributions for all 26 pay periods.

If you are FERS employee, it is important to invest wisely and receive the maximum Agency matching contributions. To determine the dollar amount you can contribute each pay period so your contributions are spaced out over all the pay dates in the calendar year, you may use the Elective Deferral Calculator on the TSP website at [www.tsp.gov](http://www.tsp.gov). (The 2006 version should be released in the very near future.) Please remember you may change your contribution election at any time.

For more information about maximum TSP contributions, go to the TSP website at [www.tsp.gov](http://www.tsp.gov) to read the TSP Fact Sheet titled *Annual Limits on Elective Deferrals*. This Fact Sheet describes in detail the elective deferral limit and how your TSP is affected.

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## TSP Catch-Up

Are you turning 50 years or older in calendar year 2006? Are you currently contributing the maximum to your TSP? If the answer is yes, then you are eligible to contribute an additional \$5,000.00 per year through TSP Catch-Up. 

So, what is TSP Catch-Up, how do you sign-up, when should you make an election, and how much money should you contribute each pay period?

*What is it?* TSP Catch-Up contributions are supplemental tax-deferred contributions that are deducted from your basic pay each pay period. You must be employed by the Federal Government and receiving pay. If you are in the six-month non-contribution period following receipt of a TSP financial hardship withdrawal, you may not contribute to TSP Catch-Up. There are no Agency

matching contributions and bonuses cannot be applied toward Catch-Up contributions.

*How do you sign-up?* You must make your election through the ABC-C website at <https://www.abc.army.mil> or by calling 1-877-276-9287 or TDD at 1-877-276-9833.

*When should you enroll?* To take full advantage of the 26 pay periods available to you, start contributing early. But, please be careful. If you make an election too early, the Catch-Up contributions will be effective in pay year 2005.

As the chart below illustrates, the first day you are eligible to contribute for 2006 will depend on your payroll office and pay date.

| Payroll Office    | Election Created | Effective Date | Pay Date     |
|-------------------|------------------|----------------|--------------|
| Denver/Charleston | Nov 27-Dec 10    | Dec 11         | Jan 5, 2006  |
| Pensacola         | Dec 11-Dec 24    | Dec 25         | Jan 13, 2006 |

For example, if you are paid from the Denver or Charleston payroll office and you elect TSP Catch-Up contributions on December 10, 2005; your election will be effective December 11, 2005. The deductions for this election will be applied to the pay check you receive on January 5, 2006. This would be an election for pay year 2006.

However, if you are paid from the Pensacola payroll office and you elect TSP Catch-Up contributions on December 10, 2005; your election will be effective December 11, 2005. The deductions for this election will be applied to the pay check you receive on December 30, 2005. So, you will need to make a new election for pay year 2006 after December 10, 2005.

Your payroll office number is annotated in the remarks section of your Civilian Leave and Earnings Statement (LES). The chart below will help you determine your payroll office.

| Payroll Office | Payroll Office Number |
|----------------|-----------------------|
| Denver         | 97-380100             |
|                | 97-380400             |
|                | 97-380900             |
|                | 97-380800             |
| Pensacola      | 97-380500             |
|                | 97-380300             |
| Charleston     | 97-380200             |
|                | 97-380600             |
|                | 97-380700             |

*How much money should you contribute each pay period?* To invest the full \$5,000.00, you must elect to contribute \$193.00 per pay period. Several illustrative examples are below. In each example, the year is 2006.

**Example 1:** You are 50 years old, earn \$100,000.00 per year and contribute \$577.00 to TSP. Your net pay is \$900.00. If you contribute \$193.00 per pay period to TSP Catch-Up, your net pay will be \$707.00 per pay period.

**Example 2:** You are 55 years old, earn \$36,000.00 per year and contribute the maximum to TSP. You will have 80 hours of Leave Without Pay (LWOP) for one pay period. Since you are not receiving pay, you are not eligible for TSP Catch-Up contributions for that pay period.

**Example 3:** You are 50 years old, earn \$34,000.00 per year and contribute \$30.00 per pay period to TSP. Since you are not contributing the maximum to TSP you are not eligible for TSP Catch-Up contributions.

**Example 4:** You are 48 years old, earn \$78,000.00 per year and contribute the maximum to TSP. Since you are not turning 50 years of age in calendar year 2006, you are not eligible for TSP Catch-Up contributions.

If you will not be contributing the maximum of \$15,000.00 to your TSP account, you are not eligible to contribute to TSP Catch-Up.

For additional information regarding TSP Catch-Up, please visit the ABC-C website at <https://www.abc.army.mil> or 1-877-276-9287.



Send comments or suggestions to:

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