



BILLING CODE 6760-01-P

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

5 CFR Parts 1600 and 1605

Simplification of Catch-Up Contribution Process

AGENCY: Federal Retirement Thrift Investment Board.

ACTION: Final rule.

SUMMARY: The Federal Retirement Thrift Investment Board ("FRTIB") is reducing paperwork burdens on participants who are eligible to make catch-up contributions by removing the regulation that requires them to submit two different contribution election forms.

DATES: This rule is effective January 1, 2021.

FOR FURTHER INFORMATION CONTACT: Austen Townsend, (202) 864-8647.

SUPPLEMENTARY INFORMATION: The FRTIB administers the Thrift Savings Plan (TSP), which was established by the Federal Employees' Retirement System Act of 1986 (FERSA), Public Law 99-335, 100 Stat. 514. The TSP provisions of FERSA are codified, as amended, largely at 5 U.S.C. 8351 and 8401-79. The TSP is a tax-deferred retirement savings plan for federal civilian employees and members of the uniformed services. The TSP is similar to cash or deferred

arrangements established for private-sector employees under section 401(k) of the Internal Revenue Code (IRC) (26 U.S.C. 401(k)).

Normally, a TSP participant's contributions to his or her account cannot exceed the statutory limits set forth in IRC section 402(g) (limiting the amount of traditional and Roth contributions to \$19,500 for calendar year 2021) and IRC section 415(c) (limiting the total amount of traditional, Roth, tax-exempt, matching, and automatic 1% contributions to the lesser of 100% of the participant's compensation or \$58,000 for calendar year 2021). However, a TSP participant who is age 50 or older is permitted to make catch-up contributions to his or her TSP account beyond these statutory limits up to the dollar limit in IRC section 414(v), which is \$6,500 for calendar year 2021.

On January 23, 2020, the FRTIB published a proposed rule with request for comments in the Federal Register (85 FR 3857) to simplify the catch-up contribution process by no longer requiring participants to submit separate catch-up contribution election forms. The FRTIB received five comments on the proposed rule. Three comments expressed strong support for reducing the burden on participants by eliminating the separate catch-up contribution election forms. Two of the comments did not address the substance

of the regulations. Therefore the FRTIB, is publishing the proposed rule as final without change.

Although the regulatory text is being published without change, in order to avoid confusion, the FRTIB wishes to clarify the effect of the simplified catch-up contribution process on the rules set forth at 5 CFR 1605.13 regarding back pay awards and other retroactive pay adjustments. If a TSP participant was age 50 or older during the year(s) to which a back pay award or other retroactive pay adjustment is attributable and the corrective contributions or make-up contributions exceed the IRC section 402(g) or 415(c) limit, then corrective contributions or make-up contributions will spill over toward the catch-up limit for those years, even if the contributions are attributable to years before 2021. However, catch-up contributions attributable to years before 2021 are not eligible for matching.

Regulatory Flexibility Act

I certify that this regulation will not have a significant economic impact on a substantial number of small entities. This regulation will affect federal employees, members of the uniformed services who participate in the Thrift Savings Plan, and their beneficiaries. The TSP is a federal defined contribution

retirement savings plan created by FERSA and is administered by the FRTIB.

Paperwork Reduction Act

I certify that these regulations do not require additional reporting under the Paperwork Reduction Act.

Unfunded Mandates Reform Act of 1995

Pursuant to the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 602, 632, 653, 1501-1571, the effects of this regulation on state, local, and tribal governments and the private sector have been assessed. This regulation will not compel the expenditure in any one year of \$100 million or more by state, local, and tribal governments, in the aggregate, or by the private sector. Therefore, a statement under 1532 is not required.

List of Subjects

5 CFR Part 1600

Taxes, Claims, Government employees, Pensions, Retirement.

5 CFR Part 1605

Claims, Government employees, Pensions, Retirement.

Ravindra Deo,

Executive Director, Federal Retirement Thrift Investment

Board.

For the reasons stated in the preamble, the FRTIB amends 5 CFR chapter VI as follows:

PART 1600 -- EMPLOYEE CONTRIBUTION ELECTIONS, CONTRIBUTION ALLOCATIONS, AND AUTOMATIC ENROLLMENT PROGRAM

1. The authority citation for part 1600 continues to read as follows:

Authority: 5 U.S.C. 8351, 8432(a), 8432(b), 8432(c), 8432(j), 8432d, 8474(b)(5) and (c)(1), and 8440e.

§ 1600.23 [Amended]

2. Amend § 1600.23 by removing and reserving paragraphs (b) and (h).

PART 1605 - CORRECTION OF ADMINISTRATIVE ERRORS

3. The authority citation for part 1605 continues to read as follows:

Authority: 5 U.S.C. 8351, 8432a, 8432d, 8474(b)(5)(5) and (c)(1). Subpart B also issued under section 1043(b) of Public Law 104-106, 110 Stat. 186 and sec. 7202(m)(2) of Public Law 101-508, 104 Stat. 1388.

4. Amend § 1605.13 by revising paragraph (c)(2) to read as follows:

§ 1605.13 Back pay awards and other retroactive pay

adjustments.

* * * * *

(c) * * *

(2) Must not cause the participant to exceed the annual contribution limit(s) contained in sections 402(g), 415(c), or 414(v) of the I.R.C. (26 U.S.C. 402(g), 415(c), 414(v)) for the year(s) with respect to which the contributions are being made, taking into consideration the TSP contributions already made in (or with respect to) that year; and

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