



Thrift Savings Plan BULLETIN for Agency TSP Representatives

Subject: Elective Deferral Limits for 2005 and 2006

Date: December 10, 2004

For 2005, the annual limit on elective deferrals will be \$14,000. For 2006, the annual limit will be \$15,000. After 2006, the increase will be indexed to the annual cost-of-living adjustment referred to in the Tax Code. For purposes of the Thrift Savings Plan (TSP), the term “elective deferrals” refers to employee contributions, which are made on a tax-deferred basis.

Notification to FERS* employees. Personnel offices should notify each FERS employee who may be affected by the elective deferral limit. (In 2005, FERS employees whose annual basic pay exceeds \$93,333 may be affected by this limit.) Agencies should also provide potentially affected FERS employees with the Fact Sheet “Annual Limit on Elective Deferrals.” The latest version of this Fact Sheet is available from the TSP Web site at www.tsp.gov.

Agency system requirements. The TSP system will not process a payment record that will cause an employee to exceed the elective deferral limit. Agency payroll systems must reduce an individual’s employee contribution during the pay period in which the annual limit is reached to an amount that will meet but not exceed the annual limit. (If applicable, the agency matching contribution must be reduced as well.) Also, once the annual limit is reached, the agency payroll system must not allow any additional employee contributions (or attributable agency matching contributions) during the remainder of the year.

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* FERS refers to the Federal Employees’ Retirement System, the Foreign Service Pension System, and other equivalent Federal retirement systems.

Inquiries: Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **(202) 942-1460**.

Chapter: This bulletin may be filed in Chapter 3, Eligibility and/or Chapter 6, Establishing and Maintaining Accounts.

Supersedes: This bulletin supersedes TSP Bulletin 01-48, Elective Deferral Limits for 2002 Through 2006, dated December 3, 2001.

Agency automatic (1%) contributions, however, must continue to be made. For the first pay date in the next calendar year, the payroll system must automatically resume the employee (and attributable agency matching) contributions based on the employee's most recent TSP contribution election.

A handwritten signature in black ink that reads "Pamela-Jeanne Moran". The signature is written in a cursive, flowing style.

PAMELA-JEANNE MORAN
Director, Office of Benefits Services