



United States Department of Agriculture
Office of the Chief Financial Officer
National Finance Center
Government Employees Services Division

Functional Requirements Document (FRD)

Project#	Project Title:	Date Prepared:
78586	NFC Secure Act 2.0 Mandatory ROTH Catch-up for High Earners (DAA)	04/23/2025

Version:	As of:
7.0	10/28/25

Category:

☐ Legislative ☐ Regulatory ☒ NFC Initiated ☐ Customer Request

Impact:

☐ Agency Specific ☒ Community ☐ Multiple Agencies ☐ Core NFC

Impacted Directorate:

☐ Mainframe (SRB) ☐ Web (WRB) ☒ Mainframe and Web

Requirements Project Analyst Contact Information

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Client Management Branch (CMB) Contact Information

Customer Service Representative (CSR)	E-Mail Address	Phone Number
Raquel Ferguson	raquel.ferguson@usda.gov	504-426-7947

Agency Contact Information

Department/Agency:	Agency Control Number (if available):
Community Wide	

Requesting Official (Agency official authorized to submit Software Change Request (SCR) to the Government Employees Services Division (GESD)).	Agency Project Officer (APO) (If Different from Requesting Official)	Agency Contact Person (If Different from Requesting Official and/or APO)
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Functional Requirements Document (FRD)

Project#	Project Title:	Date Prepared:
78586	NFC Secure Act 2.0 Mandatory Roth Catch-Up for high earners	04/23/2025

Scope:

On December 29, 2022, President Biden signed the Setting Every Community Up for Retirement Enhancement Act of 2022 (SECURE Act 2.0) into law. SECURE Act 2.0 builds on the 2019 SECURE Act and introduces several changes affecting the Thrift Savings Plan (TSP).

Prior to SECURE Act 2.0, catch-up contributions to a qualified retirement plan could be made on a traditional (pre-tax) or Roth (after-tax) basis. Section 603 of SECURE Act 2.0 (Elective Deferrals Generally Limited to Regular Contribution Limit) states that beginning on January 1, 2024, a participant's catch-up contributions **must** be Roth if the participant's wages (as defined in 26 U.S. Code §3121(a)) in the preceding tax year were above a certain threshold. Catch-up contributions for participants whose wages were at or below that threshold can continue to be made on a traditional (pre-tax) or Roth (after-tax) basis. This threshold is expected to be adjusted annually for inflation. SECURE Act 2.0 established the threshold for 2023 wages as **\$145,000**.

Participant aged 50+ & prior year wages \leq \$145K.

Catch-Up Contributions will follow the contribution election the participant has on file.

Participant aged 50+ & prior year wages $>$ \$145K.

Catch-up contributions must be Roth regardless of the participant's contribution election on file.

This is the threshold that will be used beginning 2026 to determine the type of catch-up contributions participants will be allowed to make in that year.

Per §603, catch-up eligible participants whose wages are over the defined threshold can only make Roth catch-up contributions. It is up to payroll offices to update their processes and systems and establish procedures to ensure to send the appropriate catch-up contribution type in order to be compliant with this provision. They must also confirm their employees are able to make and change contribution elections as needed.

- Elected Deferral Limit (402g limit) for 2026 - \$24,500.
- Catch-up Limit (414v limit) for 2026 - \$8,000.
- Higher catch-up limit for 2026 - \$12,000.
- 402g limit + the regular catch-up limit 2026 (=\$32,000).
- 402g limit + the higher catch-up limit 2026 (=\$36,000).

	<ul style="list-style-type: none"> ▪ Impacted plan codes are: <ul style="list-style-type: none"> • Retirement Plan Codes: <ul style="list-style-type: none"> ○ '01' - FERS ○ '02' - CSRS ○ '98' - FERS ROTH ○ '99' - CSRS ROTH • NAFI 401k Plan Codes <ul style="list-style-type: none"> ○ 'TA' ○ 'TC' ○ 'TD' ○ 'TE' ○ 'TF' ○ 'EE'
Assumptions:	<ul style="list-style-type: none"> - The spillover method for catch-up contributions will continue regardless of the participant's wages. - If the employee fits the high earner criteria, any amounts over the maximum deferral limit will be placed in the existing Roth Plan. If the employee does not have a Roth Plan at the time they reach the maximum deferral allowed, the overage amount will not be deducted. The agency will be responsible for establishing the Roth Plan for the employees. - Participants turning 50 years of age or older will not need to make a separate election for catch-up contributions. - Participants can make one contribution election, and this will carry over every year unless the participant chooses to stop or change the election. - Participants who already have a contribution election on file do not need to change that election or make a new election because of this provision. Their previous election can continue if that is their choice. - If a participant chooses to stop making contributions (e.g., in order to avoid making Roth catch-up contributions), the participant will need to make a new election to restart making any contributions when the participant is ready to do so. - Once the participant reaches either the 402(g) or the 415(c) limit and catch-up contributions must start, that is when the requirements for \$603 begin. - Once the traditional contributions reach the maximum allowed, the contributions will be stopped or reduced.

- If an employee has monies going to both TSP and Roth, monies will continue to go to both plans until the 402(g) limit is reached then all money will go to Roth.
- Wages include incentive pay, bonuses and/or anything not regular standard pay.
- There are no changes to the rules surrounding agency money due to the §603 provision. Agency/Service Automatic and/or Matching contributions will continue to post to the participant's traditional balance.
- Participant aged 50+ & prior year wages > \$145K Catch-up contributions must be Roth regardless of the participant's contribution election on file.
- If the employee was a federal employee or member of the uniformed services, the TSP should have the wage from the prior agency/service and would be able to provide that to the current (new) agency. If the employee did not work for the government/uniformed services, then the wage data from that prior employer is not required.

Functional Requirements

☒ Payroll Applications Systems Branch (PASB) Requirements

- If the employee will turn 50 during the calendar year the CATCH-UP-CONTRIBUTION for 401k Plan Code '01' (FERS) must be moved to OCC 401k Plan Code '98' (FERS Roth), when the MAX-DEFERAMT (currently \$23,500) is reached.
- If the employee will turn 50 during the calendar year the CATCH-UP-CONTRIBUTION for 401k Plan Code '99' (CSRS) must be moved to 401k Plan Code '99' (CSRS Roth), when the MAX-DEFERAMT (currently \$23,500) is reached.
- Current limits are \$23,500 (MAXDEFERAMT) for employees under 50 years of age and \$31,000 (combine MAXDEFERAMT + CATCH-UP-CONTRIBUTION) for employees who turn 50 years of age anytime during the current calendar year. The section 109 limit is \$34,750 for

☒ **Payroll Applications Systems Branch (PASB) Requirements**

employees who turn 60 to 64 years of age anytime during the current calendar year.

- Funds will be posted as elected on the IRIS 118 screen.
- Spillover process will be changed if the employees' prior year HOSP-INS-TAX-WAGES-YTD or THRIFT-SAV-BASE-PAY-YTD > \$145,000 monies to Roth.
- Employees can potentially reach the limit in mid-pay period where a split between plans would occur where PAYE tracks and would move money to Roth plans or other non-fed Roth plans.
- New Roth will have zeros in deductions to prevent early deductions.
- Agency Automatic and/or Matching contributions will continue to post to the participant's traditional balance Plan Code '01' (FERS)/ Plan Code '02' (CSRS). There are no changes to the rules surrounding the agency money due to this provision.

The "Annual FICA Wage Data File" will be created for each agency. It will be fashioned for each agency and sent at the beginning of the coming calendar year. Each will contain a header record file titled "Annual Pay File", a detail file and a trailer record file. This must be submitted on or before February 15 of the coming calendar year. It will be a comma delimited file containing the SSN, ANNUAL_FICA_WAGE and the TAX_YEAR for any agency employee who meets the following criteria:

- Will be 50 years of age or older in the calendar year.
- Employed by the agency in the prior year.
- A new employee of the agency that did not have FICA wages during the prior year.
- More Information: <https://www.tsp.gov/bulletins/23-5/>

☐ **Personnel Applications Systems Branch (PESB) Requirements**

"Not Applicable"

☐ Administrative Applications Systems Branch (AASB) Requirements

"Not Applicable"

☒ Payroll Web Systems Branch (PWSB) Requirements

SPPS Web:

The system will be modified to include additional requirements:

- For USDA, 401k Plan Codes:
 - 01 FEDERAL THRIFT SAVINGS PLAN (FERS)
 - 02 FEDERAL THRIFT SAVINGS PLAN (CSRS)
 - 98 FERS Roth 401(k)
 - 99 CSRS Roth 401(k)
- Determine if the employee is or will turn 50 years of age during the calendar year then for 401k Plan Codes '01' (FERS) the Catch-Up contribution must be moved to 401k Plan Code '98' (FERS Roth), when the MAX-DEFERAMT (currently \$23,500) is reached.
- Determine if the employee is or will turn 50 years of age during the calendar year then for 401k Plan Codes '02' (CSRS) the Catch-Up contribution must be moved to 401k Plan Code '99' (CSRS Roth), when the MAX-DEFERAMT (currently \$23,500) is reached.
- Current limits for employees under 50 years of age are \$23,500 (MAX DEFERAMT) and \$31,000 (combined MAX DEFERAMT (+) CATCH UP CONTRIBUTION) for employees who turn 50 years of age anytime during the current calendar year.
- The section 109* limit is \$34,750 for employees who turn 60 - 64 years of age at any time during the current calendar year.
- For the Spillover process, if the employee's prior year HOSP-INS-TAX-WAGES-YTD or THRIFT-SAV-BASE-PAY-YTD > \$145,000 then monies should go to '98' - FERS Roth & '99' - CSRS Roth Catch-up.
- When an employee is age 50 or older in the current calendar year and HOSP-INS-TAX-WAGES-YTD or THRIFT-SAV-BASE-PAY-YTD > \$145,000 then the enrollment plan code must be '98' - FERS Roth Catch-up and '99' (CSRS Roth) else display error msg 'Plan Code must be Roth Catch Up'.
- Agency Automatic and/or Matching contributions will continue to post to the participant's traditional balance. There are no changes to the rules surrounding agency money due to this provision.
- Employees can potentially reach limit in mid-pay period where a split between plans would occur. Monies are to be moved to Roth plans or other non-fed Roth plans.

☒ Payroll Web Systems Branch (PWSB) Requirements

- New Roth (place holder) will have zeros in deductions to prevent early deductions.

NOTE: * SECURE Act 2.0, Section 109: Higher Catch-Up Limit to Apply at Age 60, 61, 62, and 63.

EPP:

In the 'TSP Catch-Up' selection tab on the 'Thrift Savings Plan Catch-Up (Federal and Non-Federal) screen, EPP will be modified to include the following additional statement:

TSP SECURE Act 2.0, Section 603: Impacts to Thrift Savings Plan (TSP) Catch-Up Contributions which states a participant's catch-up contributions must be Roth if the participant's FICA wages (as defined in 26 U.S. Code §3121(a)) in the preceding tax year were above a certain threshold. This is regardless of the participant's contribution elections on file.

For more information: <https://www.tsp.gov/bulletins/23-5/>

INSIGHT:

Create Insight Common Report "TSP Secure 2.0 Wages Data" and display in the format below:

SSN, Name, DOB, Age, Agency Code, Prior Year Medicare Wages, Employee has a Roth account (Yes or No)

Using the following report query:

- Filter Report by: Dept, Agency and/or POI.
- Employee has a Roth account.
- Employee age is greater than or equal to 50 in the calendar year.
- Employees prior year Medicare wages are greater than or equal to \$145,000 in the calendar year.

☐ Administrative Web Systems Branch (AWSB) Requirements

"Not Applicable"

☐ Human Resources Applications Branch (HRAB) Requirements

"Not Applicable"

<input type="checkbox"/> External Vendor Requirements
"Not Applicable"

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Signature of Systems Requirements Branch Chief	Date:
/S/ Michael Schleifstein	10/28/2025

Signature of Web Requirements Branch Chief	Date:
/S/ Amanda Nguyen	10/28/2025

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Agency FRD Checklist

To be completed by Agency and returned to NFC with signed FRD. Questions should be directed to the appropriate NFC Client Management Branch Team Mailbox (CSR Contact Information is listed on Page 1.)

Tasks	Yes	No	Comments
1. Decide if agency will participate in User Acceptance Testing (UAT) .			
2. Provide name of agency UAT Contact. (Person to provide SSNs to be tested, T&As, Security Requests, etc. to NFC (Requestor, APO, and/or the Agency Contact)			
3. Submit testing requirements. (Testing requirements include identifying the systems/applications to be tested (HCUP, PAYE Process, etc.), the NOA that will be used, the test results you are expecting (Earnings & Leave Statements, SF-50s, Biweekly Examination Analysis and Reporting (BEAR) Download, Reports, etc.).			
4. Notified NFC if agency decides not to proceed with the request. Cancellations must be sent to NFC.GESDRequest@USDA.GOV			

I have read and concur with the functional requirements as outlined in the FRD.

Authorized Department / Agency Signature	Date:

(Return the signed FRD to NFC two (2) weeks from date received)

Please Read Before Signing:

GESD/CMB will provide the FRD to the Agency Representative (Requestor, APO, and/or the Agency Contact) to ensure software requirements for application modifications, reconfigurations, and redevelopments are properly understood by GESD's Staff, and to obtain preliminary customer approval of the continuation of work on the request. The signed FRD does not authorize funding for the request.

Requests to modify this FRD could delay assigning a Scheduled Release date or could result in changing an already proposed Scheduled Release date. Change requests should be made in concert with the NFC Project Owner so that requirements and the revised scope of the software change can be understood by both parties. Unilateral changes to the FRD are not acceptable.

Please note, continuation of work on this request does not begin until customer approval has been received, and the interagency agreement has been approved and signed.