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	04/23/2025

Version:	As of:
3.0	7/06/2026

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

Project Analyst(s)	E-Mail Address	Phone Number

Client Management Branch (CMB) Contact Information

Customer Service Representative (CSR)	E-Mail Address	Phone Number

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)
Name:	Name:	Name:

Changes to this document are not allowed. If you do not concur with the requirements outlined in the FRD, please provide details to your Customer Service Representative.

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)

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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 they are age 50 or over and their 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 2026 deductions we will use 2025 OASDI/FICA wages of **$150,000**.

Deductions and contribution limits are within defined IRS regulations.

- Impacted plan codes are:
  - Thrift Savings Plan Codes:
    - '01' - FERS
    - '02' - CSRS
    - '98' – FERS ROTH
    - '99' – CSRS ROTH
  - NAFI 401k Plan Codes
    - 'TA'
    - 'TC'
    - 'TD'

	○ 'TE' ○ 'TF' ○ 'EE'
Assumptions:	- 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. One will be generated if the employee has not elected ROTH participation previously. - 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. - 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. - 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. - The field ID D00215 will be added to TMGT Table 038 DOCUMENT 30 UPDATE RESTRICT Screen. - PAD/TBPB will be responsible for the upload of FICA wage data to the TSP portal. The file will be comma delimited for ingest into Excel. TBPB will add a header to the Excel file with a title of "Annual FICA Wage Data". PAD/TBPB will select the appropriate Journal Voucher Number when uploading the file to the TSP Portal. **NOTE:** TSP has a new record layout https://www.tsp.gov/bulletins/23-5/ - this discusses the wage file submission to TSP and the format.

Functional Requirements

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

- Check for the *HIGH-EARNER* flag and spillover age (currently computed using birth date-ensure century calculation up to date) first. If flag is N, then process per usual (this is where the 60-63 cap was based upon initial legislation and the amount needs to be updated to the current amount of $11,250.) The employee catch-up limit returns to the appropriate IRS dollar limit the calendar year the employee turns 64.

- Spillover process will be changed if the employees' flag is set to Y, to move all spillover/catch-up deductions to the ROTH Account for those age 50 or over. PAYE will move the employee deduction for spillover/catch-up from the Traditional TSP plan to the matching ROTH plan, 01 (FERS TSP) to 98 (FERS ROTH) and 02(CSRS TSP) to 99 (CSRS ROTH). If the employee elected ROTH plan deductions, those deductions will need to be combined with the spillover/catch-up deductions.

- PASB will create the annual FICA Wage file on or before February 15 of the calendar year for employees who will be age 50 or older. If the employee has YTD wages as of the end of the tax year, pull the value from the OASDI/FICA-WAGES-YTD field on the end of pay period backup for the last pay period of the tax year. If the employee does not have YTD wages on the end of tax year file, include them on the file with a zero-dollar amount.
  - The file will be comma delimited.
  - The file will be sorted by agency and POI and include the following data elements:
    - *Social_Security_Number*
    - *Annual_FICA_Wages*
    - *Tax_Year*

PAYE & PACS will continue to perform the following:

- The proration will continue to apply for the maximum deduction and the combined contribution/deduction caps as defined on TMGT TBL030 (*MAX-DEFERAL-AMT & CATCH-UP-CONTRIBUTION*), keeping in mind the move to ROTH for the employees identified with a Y in the *HIGH-EARNER* flag.

PACS will continue to perform the following:

- An agency's 1% and the matching agency contribution for ROTH accounts will be placed on the TSP Pre-Tax account and will continue to be sent to TSP per regulations.

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

- Agency automatic and/or matching contributions for traditional TSP will continue to post to the participant's Plan Code '01' (FERS)/ Plan Code '02' (CSRS).

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

- Create an annual process that runs after the last pay period of the tax year, using the end of pay period backup file to initialize the HIGH-EARNER-FLAG to blank for all employees and set to Y for employees age 50 and over whose OASDI-FICA-YTD wages is at or above $150,000. Please make sure century is computed accurately when determining age. (2026 deductions use 150,000 as of 2025 - see below for pertinent links/legislation for employees age 50 or over.) NOTE: Use OASDI/FICA wages as long as they remain higher than the Section 603 salary.
    - o Use the first position of the FILLER in the NFC-ASD-SAL-USE-2 (SAL-USE-2) field as the flag element:
        - 15 WLFF-IRPP-YTD PIC S9(05)V9(02)
        - HIGH-EARNER-FLAG X(1).

- For employees with a Y in the flag element, BEAR will check for an existing ROTH account. If one is not found, generate a Doc type 125 Thrift Savings Plan document to add the ROTH account (98 FERS or 99 CSRS) with NFC specific ID (e.g. BEAR125) in the deferred and non-deferred factors/amounts.

- BEAR should ensure the BEAR125 generated documents are not deleted even with the zero-deduction amount.

- Modify FESI 30 document file layout to include the HIGH-EARNER-FLAG field, ID D00215. This will be position 193 in the record layout.

- PINE/PEPL edits will allow zero-dollar deductions for any ROTH records (98 & 99) with the BEAR125 generated ID. Also ensure these documents are displayed in *IRIS118.*

- Modify PINE/PEPL so the 30 document will allow for update by the agency to set the *HIGH-EARNER* flag to a Y or blank only where they have additional information related to prior year salary for an employee not in the system as of PP25 when the system generated flag is set. Agency bears responsibility for these updates.

- If an employee processes a ROTH document, it can be applied provided it is a change document and does not delete any system generated Roth Plan Code HR document. Also, the employee can modify percent/amount to be greater than 0 to begin deductions or back to 0 to stop them (vs. deleting the record). PINE/PEPL should suspend any delete actions where there is a plan code HR record and the high-

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

earner flag is set to Y. ***PINE Edit Error Message 880*** *will be created: "Deletion of the Roth plan code record not allowed; set deduction to 0 instead."*

- When processing the 30 Doc, if the value on the high earner field is anything other than a Y or a space, a ***PINE Edit Error Message 881*** will populate: "*Agency can set the high earner flag to blank or Y only.*

- Ensure PINE/PEPL picks up the High Earner flag from the 30 Doc and applies to the NFC-ASD-SAL-USE-2 High Earner field.

- Modify the *IRIS118* screen to display the *HIGH-EARNER-FLAG. Field ID is D00215.*

☐ **Administrative Applications Systems Branch (AASB) Requirements**

"Not Applicable"

☐ **Payroll Web Systems Branch (PWSB) Requirements**

EPP:

- Add the following additional statements in the 'TSP Catch-Up' selection tab on the 'Thrift Savings Plan Catch-Up screen.

  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/

- Modify the current bold red statements in the TSP Self-Service Request screen after the statement, Click "Change" or "Stop" to enter a Self-Service Request to the below.

  As of January 1, 2026, employees aged 50+ with 2025 FICA wages over $150,000 must make all catch-up contributions as ROTH (after-tax) contributions. NFC will establish a ROTH account based on the pre-tax contributions election (Traditional) on the NFC database. Also, NFC will stop the pre-tax contributions. At year end the employees' W2 will be adjusted to show the final contributions in both ROTH and Traditional contributions.

☐ **Payroll Web Systems Branch (PWSB) Requirements**

- To check if employees are HIGH-EARNER, retrieve the new HIGH-EARNER flag from PPS using the first position of the FILLER in the ***NFC-ASD-SAL-USE-2 (SAL-USE-2)*** *f*ield.

- Check *HIGH-EARNER* flag when employees submit a self-service request to stop TSP ROTH contribution. If flag is equal to 'Y', do not process the transaction and display message "To stop ROTH contribution for HIGH-EARNER, click on the ROTH Change button and enter zero deduction in the Dollar Amount or Percent of Basic Pay and submit the transaction".

- Modify edits to allow HIGH-EARNER employees to enter zero in the Dollar Amount or Percent of Basic Pay on the change transaction ROTH contribution only.

INSIGHT:

- Create Insight Common Report "TSP Secure 2.0 Wages Data" and display in the following format: SSN, Name, DOB, Age, Agency Code, Prior Year Medicare Wages, Employee has a Roth account (Yes or No), HIGH-EARNER flag
- Add new HIGH-EARNER flag to report, using the first position of the FILLER in the ***NFC-ASD-SAL-USE-2 (SAL-USE-2)*** *f*ield.

Using the following report query:

- Filter Report by: Dept, Agency and/or POI
- Employee has a Roth account
- Employee is a HIGH-EARNER
- Employee age is greater than or equal to 50 in calendar year 2026
- Employee prior year Medicare wages are greater than or equal to $150,000 in 2025

EPIC:

- Modify Document Type 030 (Master File Change) to allow users to update the new HIGH-EARNER flag.
- Add the new HIGH-EARNER flag to the list of fields to be updated with field number D00215.
- Add an edit to only allow 'Y' and a space(blank) as a data value for the new HIGH-EARNER flag.
- Do not allow users to delete the HIGH-EARNER flag as an action.
- Modify Document Type 125 (Thrift Savings Plan/Roth Election) on a change election only to allow users to enter zero in the Dollar Amount or Percent of Basic Pay for ROTH contributions only.
- Modify Document Type 104 (Non-Federal Thrift Savings Plan) to allow users to enter zero in the Amount or Percent field on a change transaction only to stop ROTH contribution for high earners.

☐ **Payroll Web Systems Branch (PWSB) Requirements**

- Modify Document Type 103 (Non-Federal Retirement) to allow users to enter zero in the Non-Deferred Deduction Amount or Non-Deferred Deduction Percent field on a change transaction only to stop ROTH contribution for high earners.

SPPSWeb:

- The current standard limits are $24,500 (MAX DEFERRAL) for employees under 50 years of age and $32,500 (combined MAX DEFERRAL + CATCH-UP CONTRIBUTION MAX ($8,000)) for employees who turn 50 years of age anytime during the current calendar year. For employees who turn 60 – 63 years of age at any time during the current calendar year, the limit is $35,750 (combined MAX DEFERRAL + CATCH-UP CONTRIBUTION MAX ($11,250)). If employee's prior year wages exceed $150,000, the current year CATCH-UP contributions are required to be ROTH.
- Retrieve the new HIGH-EARNER flag from PPS using the first position of the FILLER in the ***NFC-ASD-SAL-USE-2 (SAL-USE-2)*** *f*ield to determine if employees are HIGH-EARNER.
- For Thrift Savings Plan (TSP deductions), modify edits and check if the employee is or will turn 50 years of age during the calendar year. If the TSP MAX-DEFERRAL amount ($24,500) is reached, HIGH-EARNER flag is equal to 'Y', and the 401k Plan Code is '01' (FERS), display error message "The TSP Plan Code must be 98 (FERS ROTH) for Catch-Up contribution for high-earner who has reached the max-deferral limit".
- Determine if the employee is or will turn 50 years of age during the calendar year. If the TSP MAX-DEFERRAL amount ($24,500) is reached, HIGH-EARNER flag is equal to 'Y', and the 401k Plan Code is '02' (CSRS), display error message "The TSP Plan Code must be '99' (CSRS ROTH) for Catch-Up contribution for high-earner who has reached the max-deferral limit".
- Determine if the employee is or will turn 60, 61, 62, or 63 years of age during the calendar year. Modify edits and set the TSP MAX-DEFERRAL amount to $35,750 (combined MAX DEFERRAL ($24,500) + CATCH-UP CONTRIBUTION MAX ($11,250)).

☐ **Administrative Web Systems Branch (AWSB) Requirements**

"Not Applicable"

☐ **Human Resources Applications Branch (HRAB) Requirements**

EMPOWR:

- Modify Document Type 030 (Master File Change) to allow users to update the new HIGH-EARNER flag.

☐ **Human Resources Applications Branch (HRAB) Requirements**
• Add the new HIGH-EARNER flag to the list of fields to be updated with field number D00215. • Add an edit to only allow 'Y' and a space (blank) as a data value for the new HIGH-EARNER flag. • Do not allow users to delete the HIGH-EARNER flag as an action. • Modify Document Type 125 (Thrift Savings Plan/Roth Election) to allow users to enter zero in the Dollar Amount or Percent of Basic Pay on a change transaction only for ROTH contributions only. • Modify Document Type 104 (Non-Federal Thrift Savings Plan) to allow users to enter zero in the Amount or Percent field on a change transaction only to stop ROTH contribution for high earners. • Modify Document Type 103 (Non-Federal Retirement) to allow users to enter zero in the Non-Deferred Deduction Amount or Non-Deferred Deduction Percent field on a change transaction only to stop ROTH contribution for high earners.

☐ **External Vendor Requirements**
"Not Applicable"

Signature of Systems Requirements Branch Chief	**Date:**
/s/ Branch Chief SRB	07/06/2026

Signature of Web Requirements Branch Chief	**Date:**
/s/ Branch Chief WRB	07/06/2026

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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.