590 Thrift Savings Plan

591 Overview

591.1 Description

591.11 Administration

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for federal employees. It was authorized by Congress in the Federal Employees' Retirement System Act of 1986. The plan is administered by an independent government agency, the Federal Retirement Thrift Investment Board, whose sole purpose is to operate the plan for the benefit of the participants. Policies and regulations of the board are controlling in the event of conflict with the information contained in this subchapter.

591.12 Further Information

TSP has established a TSP Web Site at <www.tsp.gov> to provide employees with general information, forms, and publications. Two telephone response systems are available for general information as well as personal account information. The TSP ThriftLine at (504) 255-8777 is an automated voice response system, and the Text Telephone at (504) 255-5113 is designed for hearing impaired employees. The TSPBK08, *Summary of the Thrift Savings Plan for Federal Employees,* and other TSP materials are available at local personnel services offices and on the web site.

591.2 Open Season

Open season is the period during which employees may make an election with respect to the TSP.

a. There are two open seasons each year.

b. Each open season lasts for 2 and 1/2 months with the election period being the last month of the open season.

c. Open seasons are from May 15 through July 31 and from November 15 through January 31.

591.3 Eligibility to Contribute

591.31 General

All career employees are permitted to contribute to the TSP. The earliest date career employees may begin contributing is determined by their date of employment.

591.32 New Career Employees

A career employee is eligible to make an election to begin contributing to TSP beginning with the second open season after the career appointment. An employee who is hired during an open season, but before the election period, has the current open season counted as one of the required two. For example:

a. Career employees hired from January 1 through June 30 are first eligible to make an election during the open season from the following November 15 through January 31.

b. Career employees hired from July 1 through December 31 are first eligible to make an election during the open season from the following May 15 through July 31.

591.33 Rehired Employees

A career employee who is reemployed and who was eligible to contribute to the TSP during a previous appointment may make an election during the first open season after being reemployed. An employee rehired to a career position who was not eligible to contribute during a previous appointment is treated as a new employee. For example:

a. Previously eligible employees rehired as career employees from January 1 through June 30 may make an election that July.

b. Previously eligible career employees rehired as career employees from July 1 through December 31 may make an election that January.

591.34 Reemployed Annuitants

591.341 Eligibility

Reemployed annuitants are eligible to participate in TSP as follows:

a. Civil Service Retirement System (CSRS) reemployed annuitants may participate regardless of the retirement code in the reemployed position (Code 1, 5, 4 or 2), unless reemployed under Public Law 101–509 (Federal Employees' Pay Comparability Act of 1990).

b. Federal Employees' Retirement System (FERS) reemployed annuitants may participate only if reemployed under FERS. Appointments to intermittent positions or under Public Law 101–509 are not covered by FERS.

c. A reemployed annuitant's first eligible date to participate is determined by whether the reemployment follows a TSP break in service (separation from federal service of 31 or more full calendar days), as follows:

   (1) If no break in service of 31 days or more has occurred, the TSP-1 election on file is immediately effective, with contributions and loan payments, if any, resuming upon reemployment. For FERS annuitants, the automatic 1 percent contribution and matching contributions, if any, resume.

   (2) If a break in service of 31 days or more has occurred and the reemployed annuitant was ever previously *eligible to participate* in TSP, the reemployed annuitant is eligible to make an election during the first open season following the appointment. If not previously eligible, the reemployed annuitant must wait until the second open season following the appointment to make an election.

(3) A reemployed annuitant who elects to transfer to FERS is eligible to participate in TSP immediately, regardless of whether a break in service has occurred.

591.342 Contributions

Contributions made by a reemployed annuitant are based on the basic salary for the position prior to the required reduction for the annuity she or he is receiving.

591.35 Transfers From Another Agency

CSRS and FERS employees who transfer from other federal agencies must have their TSP loan payment, automatic (1 percent) contributions, and employee and matching contributions (if any) continue without interruption. Personnel services offices must submit TSP-19, *Transfer of Information Between Agencies,* to the Minneapolis Accounting Service Center (Minneapolis ASC).

591.36 Dual Appointments

Federal or Postal Service employees serving in an appointment covered by CSRS or FERS who receive another federal appointment, career or noncareer, are eligible to participate in TSP under each appointment. Pursuant to Office of Personnel Management (OPM) regulations, an employee covered by a retirement system under any one appointment must be covered by the same retirement system under all other appointments. Personnel service offices must submit TSP-19 to the Minneapolis ASC to advise of current enrollment elections. Participation rules for dual appointments include the following:

a. Employees covered by FERS receive the automatic (1 percent) contribution under both appointments.

b. An employee's TSP-1 on file under the first appointment determines TSP contributions and fund allocations for a subsequent appointment until the next TSP election period. The employee is not permitted to make a new election outside an open season as a result of the subsequent appointment. If the employee's contribution election is expressed as a percentage of pay, each agency deducts this percentage. If the employee's contribution election is expressed as a dollar amount, only the first appointing agency deducts this amount from the employee's pay.

c. Beginning with the first open season following the second appointment, agencies treat the employee separately for purposes of TSP elections.

591.4 Permitted Actions

591.41 Open Season

During an open season an eligible employee may submit an election to:

a. Begin contributions.

b. Change the dollar amount or percentage of current contributions.

c. Reallocate current contributions to different investment funds.

d. Terminate contributions.

591.42 Interfund Transfers

An interfund transfer is the movement of money already in the employee's account among the investment funds. This movement does not affect contributions from future payroll deductions. Employees are allowed one interfund transfer per month, using the TSP ThriftLine or submitting TSP-30, *Interfund Transfer Request,* to the TSP Service Office.

591.5 Elections

591.51 Form Required

To submit an election an eligible employee must complete Form TSP-1, *Thrift Savings Plan Election Form,* and submit it to the personnel office.

591.52 Number Permitted

Except for an election to terminate contributions, an employee may make only one election during an open season.

591.53 Effective Dates

TSP-1 open season election forms submitted to personnel services offices become effective as follows:

a. Forms received May 15 through June 30 become effective in the first full pay period in July. Forms received in the month of July become effective the earliest possible pay period, subject to Distributed Data Entry and Distributed Reporting (DDE/DR) processing guidelines.

b. Forms received November 15 through December 31 become effective in the first full pay period in January. Forms received in the month of January become effective the earliest possible pay period, subject to DDE/DR processing guidelines.

c. Forms to terminate elections are effective the first full pay period beginning after receipt.

591.54 Election Period

The election period is the last calendar month of an open season and is the earliest period during which an open season election, other than a termination, can become effective.

591.55 Belated Elections

If it is determined that an employee was unable for reasons beyond the employee's control to make an election within the time limits, a belated election may be accepted within 30 calendar days after such determination. The belated election is effective the first pay period after the personnel office accepts the election form.

591.6 CSRS Transfers to FERS

CSRS or CSRS Offset employees who transfer to FERS are permitted 30 days from the effective date of the transfer to submit a TSP election. The election becomes effective the pay period following receipt of the TSP-1.

591.7 Booklets

The booklet TSPBK08, *Summary of the Thrift Savings Plan for Federal Employees,* contains additional information and is available to employees at personnel services offices and on the web site.

592 Contributions

592.1 Basic Pay

All contributions to the TSP are based on basic pay. Basic pay includes higher level pay but does not include cost-of-living adjustments (COLA, TCOLA), overtime pay, night differential, military pay, allowances, premium pay, or lump-sum terminal leave payments.

592.2 Contribution Rates

Contributions must be made in whole percentages or whole dollar amounts.

592.3 Maximum Contribution Rates

592.31 FERS Employees

A FERS employee may contribute a percentage of basic pay up to a maximum of 10 percent or a whole dollar amount which does not exceed 10 percent of basic pay. Contributions are withheld each pay period.

592.32 CSRS Employees

CSRS and CSRS offset employees may contribute a percentage of basic pay up to a maximum of 5 percent or a whole dollar amount which does not exceed 5 percent of basic pay. Contributions are withheld each pay period.

592.4 Automatic Contributions

592.41 FERS Employees

The Postal Service automatically contributes an amount equal to 1 percent of the employee's basic salary every pay period. This agency automatic (1 percent) contribution starts the first pay period in the first election period that the employee is eligible to contribute and is made even if the employee chooses not to contribute. The employee's salary is not affected by this automatic contribution.

592.42 CSRS Employees

There is no agency automatic (1 percent) contribution for CSRS employees.

592.5 Matching Contributions

592.51 FERS Employees

The Postal Service matches employee contributions on a dollar for dollar basis through the first 3 percent of basic pay the employee contributes. The next 2 percent of basic pay the employee contributes is matched at the rate of $.50 for every $1.00 (see chart below).

Employee Contributions	USPS Automatic and Matching Contribution	Total Contributions
0%	1%	1%
1%	2%	3%
2%	3%	5%
3%	4%	7%
4%	4.5%	8.5%
5%	5%	10%
Over 5% through 10%	5%	5% Plus Employee Contribution

592.52 CSRS Employees

There are no agency matching contributions for CSRS employees.

592.6 Vesting of Contributions

592.61 CSRS Employees

Employees are immediately vested in their own contributions and all earnings attributable to these contributions.

592.62 FERS Employees

Employees are immediately vested in their own contributions, the matching contributions and the earnings attributable to these contributions. Employees are vested in the agency automatic (1 percent) contribution and earnings associated with this contribution after attaining 3 years of creditable civilian service as determined by their TSP Service Computation Date. Employees who die in service are considered automatically vested in the agency automatic (1 percent) contributions. Employees on the rolls between 1/1/84 and 12/31/86 who were automatically converted to FERS on 1/1/87 received a 1 percent retroactive contribution for that time frame and were immediately vested in the retroactive contribution.

592.7 Maximum Contribution Amount

No employee, regardless of salary, may contribute more than $10,000 in 1998 to the TSP. This amount is adjusted annually by the Internal Revenue Service (IRS) based on cost-of-living changes.

592.8 Taxes

592.81 Federal Income Taxes

All contributions to the TSP are made on a before-tax basis. The money contributed to the plan is not included when federal income taxes are calculated. TSP contributions are subject to Medicare and Social Security taxes.

592.82 State Income Taxes

The majority of the states that have income taxes also consider contributions to the TSP on a before-tax basis. Whether TSP contributions are tax deferred is determined by the law of the state where the employee resides.

592.9 Insufficient Earnings

592.91 Employees on LWOP

Since an employee on leave without pay (LWOP) for an entire pay period does not have any basic salary, there are no contributions to the TSP, including the agency automatic (1 percent) contribution.

Exception: Employees on approved leave without pay to serve as a full-time officer or employee of an organization composed primarily of employees are permitted to make contributions to the TSP. The allowable contributions are based on the basic pay with the Postal Service and must be withheld from pay by the organizations paying them. The organizations make the decision whether or not to make the agency automatic (1 percent) contribution and matching contributions for FERS employees.

592.92 Reduced Earnings

Each pay period, an employee's TSP contribution is determined based upon the basic pay earned for that pay period. Elected TSP contributions are adjusted as follows:

a. If an employee's elected percentage or dollar amount exceeds the net pay available in a particular pay period, no TSP deductions are made for that pay period.

b. If a *whole dollar* amount is elected and the amount exceeds 10 percent for FERS or 5 percent for CSRS of the employee's basic pay for a particular pay period, the deduction is reduced to the maximum percentage allowed.

593 Investments

593.1 Funds Available

TSP is composed of three funds: the Government Securities Investment Fund (G Fund), the Fixed Income Index Investment Fund (F Fund), and the Common Stock Index Investment Fund (C Fund):

a. *G Fund.* The G Fund consists exclusively of investments in short term nonmarketable U.S. Treasury securities specially issued to the TSP.

G Fund investments earn interest at a rate that is equal, by law, to the average of market rates of return on U.S. Treasury marketable securities that are outstanding with 4 or more years to maturity.

b. *F Fund*. The F Fund is invested primarily in the Barclays U.S. Debt Index Fund, a commingled bond index fund designed to track as closely as possible the Lehman Brothers Aggregate (LBA) index. The LBA represents U.S. Government, corporate, and mortgage-backed securities sectors of the fixed-income securities market. These securities, which include bonds, notes, and debentures, usually pay interest semiannually until maturity.

c. *C Fund.* The C Fund is invested primarily in the Barclays Equity Index Fund, a commingled stock index fund that tracks the Standard & Poor's 500 (S&P 500) stock index. A commingled fund is a fund in which the assets of many plans are combined and invested together.

593.2 Investment Options

593.21 Fund Allocation

Employees may allocate all or any portion of TSP contributions among the three investment funds (in 5 percent increments).

593.22 Changing Investments

Employee requests to change the allocation of *future* contributions are submitted on TSP-1 to personnel services offices during open season periods. Requests to change the allocation of any *existing* account balance are processed as described.

593.3 Participant Statements

593.31 Frequency

Every employee who has a TSP account receives a participant statement every 6 months. The statement will normally be mailed approximately 30 days prior to an election period.

593.32 Contents

The participant statement contains current information on the balance in the account and a summary of the activity in the account during the previous 6-month period. It also provides information such as the rates of return for the various funds for the statement period. Specific information includes:

a. Name.

b. Social Security number.

c. Beginning and ending balance.

d. The amount of principal and earnings in each fund by source of contributions.

e. An itemization of all transactions affecting the account during the covered period.

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593.33 Distribution

Participants receive a statement directly from the Federal Retirement Thrift Investment Board. Statements are mailed to the participant's address of record with the Postal Service. Active employees may change their address only by submitting Form 1216, *Employee's Current Mailing Address*, to their personnel services office.

593.34 Transactions

593.341 Types of Transactions

The statement will show the following types of transactions, whenever applicable.

a. Contributions.

b. Earnings.

c. Withdrawals.

d. Forfeitures.

e. Loan Activity.

f. Transfers Between Funds.

g. Adjustments.

593.342 Information Concerning Transactions

The following information concerning each transaction will also be shown.

a. Pay period the transaction occurred.

b. Investment fund affected.

c. Source of contributions.

d. Amount of the transaction.

594 Adjustments

594.1 Responsibility

The Postal Service is responsible for correcting any improper or erroneous TSP withholding. An adjustment may be made to an employee's TSP account only if it is covered by these procedures.

594.2 Elections Not Processed

594.21 Reason Beyond Employee Control

When an employee fails to enroll, or is delayed in enrolling or making changes to a previous election for reasons beyond the employee's control, but not because of any Postal Service action, the personnel services office may accept a belated election. The belated election is effective the first pay period after the personnel services office accepts the election form. No retroactive contributions are permitted for any pay periods prior to the effective date of the election.

594.22 Administrative Error

If an election form is turned in by an employee during an open season and for whatever reason not processed on time, the election must be processed retroactively as soon as the administrative error is discovered. The appropriate adjustment is then processed.

594.3 Overdeductions

594.31 Correction

In cases where the nonprocessing of an election form, or the incorrect processing of an election form, results in an overdeduction of contributions, the correct election must be processed via DDE/DR immediately with the same effective date as the original error.

594.32 Excess Contributions

Excess contributions are not permitted to remain in an employee's TSP account. At the time the excess contributions are returned to the employee, they will be subject to normal income taxes. Personnel services offices must notify the Minneapolis ASC Payroll Processing Branch of the error in writing, attaching copies of all TSP-1 elections in effect for the period in which the erroneous overdeductions occurred.

594.33 Amount of Adjustment

The employee will receive the full amount that was overdeducted even if the adjustment involves the C and/or F fund, and there has been an investment loss. If the full amount is not refunded, the employee may file a claim. (See 594.8.)

594.34 Earnings

Any earnings which may have been posted to the employee's account as a result of the excess contributions will remain in the account unless the refund of excess contributions has the effect of liquidating the account.

594.4 Underdeductions

594.41 Correction

In those instances where the nonprocessing of an election form or the incorrect processing of an election form results in an underdeduction, the correct election must be processed immediately via DDE/DR with the same effective date as the election containing the error.

594.42 Form 6886, Thrift Savings Plan Request for Retroactive Contributions

Subsequent to correction of the error a Form 6886, *Thrift Savings Plan Request for Retroactive Contributions*, must be prepared. Form 6886 must be prepared in all instances of underdeductions even if the employee does not wish to contribute make-up contributions.

594.43 Preparation

The personnel services office prepares a Form 6886 after the correction of the administrative error via DDE/DR. It must be completed with the employee's name, Social Security number, and finance number, as well as the total pay periods in which the administrative error occurred, what percentage or amount was in error and the correct percentage or amount that is now being deducted. Personnel must then calculate the estimated total amount of the underdeduction and enter it on the form. Once all of these items have been completed, the original of the form is sent to the employee while personnel retains a copy pending return of the form from the employee.

594.44 Decision

The employee decides whether to contribute make-up contributions. Make-up contributions are contributed through payroll deductions. The employee is required to make a decision within 30 days of receipt of the form. If an employee does not return the form within 30 days, that individual forfeits the right to contribute make-up contributions.

594.45 Disposition

594.451 No Return of Form 6886

If the employee does not return the Form 6886 within 30 days, personnel officials (1) annotate the copy "No Reply Within 30 Days — No Action Taken" and (2) file the form in the employee's OPF.

594.452 No Make-Up Contributions

An employee who chooses not to contribute make-up contributions simply checks the appropriate block, signs the form, and returns it to personnel where the form is certified and filed in the employee's OPF as a permanent record.

594.453 Make-Up Contributions

An employee who wishes to contribute make-up contributions chooses the number of pay periods over which contributions will be made. The minimum number of pay periods for make-up contributions is one. The maximum number of pay periods is four times the number of pay periods over which the error occurred. Whenever multiple pay periods are involved, the make-up contributions will be in equal amounts each pay period. In no instance may anything less than the full amount of the adjustment be deducted. The employee cannot elect make-up contributions for a portion of the period that was in error.

594.46 Processing

594.461 Upon receipt of a signed Form 6886 requesting make-up contributions, the personnel services office reviews the form, signs and dates it, and forwards the original to the Minneapolis ASC address on the form. Personnel retains and files a copy in the employee's OPF.

594.462 The Minneapolis ASC verifies that the amount on the form is correct. If the estimated total deduction entered by the personnel office is incorrect, the Form 6886 will be returned to personnel indicating the correction. The employee must be notified, and the correction must be annotated on the form in the OPF. Personnel returns the corrected Form 6886 to the Minneapolis ASC for processing if the employee still wishes to contribute make-up contributions.

594.463 If the employee has insufficient wages to withhold the full amount for the pay period, no contribution is made. These periods do not count against the number of pay periods chosen for make up contributions. When the employee has sufficient wages again, make-up contributions resume and continue until the full amount has been withheld or the employee elects to discontinue them.

594.464 If there is insufficient net pay to make all the TSP contributions, the regular TSP contributions will take precedence over the employee's make-up contributions.

594.465 Employees making up an underdeduction will have make-up contributions allocated in accordance with the TSP-1 election currently in effect. If the employee was erroneously denied participation in TSP, a separate TSP-1 may be completed for each open season that occurred during the period of underdeduction. If the employee fails to make a current election, all make-up contributions are designated to the G fund for the period of underdeduction.

594.466 Once the make-up contributions have begun, the employee may choose to terminate them. However, the decision to terminate is irrevocable. A Form 6886 must be prepared showing the employee's decision to terminate the make-up contributions. Personnel then signs and dates the form, and sends it to the Minneapolis ASC. A copy of the Form 6886 terminating the make-up contributions is attached to the Form 6886 in the OPF which requested the make-up contributions.

594.467 If an employee transfers to another agency, the new agency must be advised of the error. If the new agency advises that the employee elects to contribute make-up contributions, or to continue make-up contributions that began before the transfer, coordination between the personnel services offices and the Minneapolis ASC is necessary.

594.468 Earnings attributable to the period of underdeduction (if any) are posted to the employee's account in accordance with TSP lost earnings regulations.

594.5 Erroneous Retirement System

Whenever an action is processed correcting an employee's retirement system from CSRS to FERS or from FERS to CSRS, the employee is permitted to complete a new election form(s) in the same manner as if the erroneous classification had not occurred. If the error spanned more than one election period, the employee may elect to participate, change amounts or distributions, or terminate coverage according to the rules pertaining to the relevant open season. The procedures for underdeductions in 594.4 and overdeductions in 594.3 must be followed. Only the most current election form is entered at the DDE/DR site. A copy of all applicable election forms must be attached to Form 6886 or Form 2240 when it is sent to the Minneapolis ASC.

594.6 Back Pay Awards

594.61 General Rule

An employee receiving a back pay award must be made whole with respect to participating in the TSP. The procedures in 594.62 and 594.63 must be followed when processing back pay awards.

594.62 Erroneous Separation

The employee may elect participation or termination of elections in the same manner as though the separation did not occur. The most current election form must be processed at the DDE/DR site to begin or terminate withholdings when the employee is returned to the rolls. When the back pay claim is sent to the Minneapolis ASC, a copy of the election form(s) must be included. The Minneapolis ASC computes the TSP amount and withholds it from the back pay award. The USPS contributions are computed as appropriate.

594.63 Continuous Service

Employees who receive a back pay adjustment and who are not separated from service receive an adjustment for contributions only if they previously elected coverage. The adjustment is processed automatically.

594.7 Claim Procedure

594.71 General Rule

If there is a dispute between the findings of the Postal Service relating to an employee's entitlement to make-up contributions, or the amount refunded as a result of an administrative error was less than the amount previously withheld, the employee may file a claim for correction with the personnel services office.

594.72 Review of Claim

All employee claims must be reviewed to determine whether the claim relates to an error made by the Postal Service or by the Federal Retirement Thrift Investment Board. If the claim relates to Board errors, the claim must be sent within 10 days of receipt to:

THRIFT SAVINGS PLAN SERVICE OFFICE
NATIONAL FINANCE CENTER
PO BOX 61500
NEW ORLEANS LA 70161-1500.

The employee must be advised of the referral.

594.73 Postal Service Decision

When the claim relates to the Postal Service, the personnel services office must provide the employee with a decision within 30 days. If the decision is to deny the claim, the denial must be in writing and must contain the following information:

a. The reason for the denial, with references.

b. A description of any additional material or information necessary to approve the claim with an explanation of why it is necessary.

c. Steps to be taken if the employee wishes to appeal the decision.

594.74 Employee Appeal Rights

The employee may appeal the denial, in writing, within 30 days after receipt of the decision, to the appropriate Human Resources manager or designee. Under no circumstances may the designee be the same individual who originally denied the claim.

594.75 Final Decision

The final decision must be made, in writing, within 30 days after receipt of the employee's appeal. There is no administrative appeal of the Postal Service's final decision. Since all administrative remedies have been exhausted, the employee is eligible to file suit in the appropriate federal district court upon receipt of the Postal Service's final decision, or within 30 days of submission of the employee's appeal, if no final decision has been issued.

594.76 Time Limitation

An employee wishing to submit a claim under this section must do so within 1 year of receipt of the Earnings Statement reflecting the error, or 1 year of the close of the first election period following receipt of the Thrift Savings Plan Participant Statement reflecting the error, whichever comes first. The time limit does not apply to Postal Service initiated corrections.

595 Termination of Contributions

595.1 Definition

A termination is an election by an employee who is already contributing to the TSP to stop contributions.

595.2 Submissions

Employees may submit Form TSP-1, *Election Form*, to terminate contributions at any time.

595.3 Effective Date

Elections to terminate contributions are effective no later than the first day of the first pay period beginning after the date the election form is submitted to personnel.

595.4 Subsequent Elections

595.41 Submitted During Open Season

An employee who makes an election during open season to terminate contributions may make an election during the next open season to begin contributing again.

595.42 Submitted Other Than Open Season

An employee who makes an election at any time other than during an open season to terminate contributions may not make an election to contribute to TSP until the second open season following the termination.

595.43 Effective Date for Subsequent Elections

The following table shows the earliest date when contributions may resume following an election to terminate. Elections are always effective no sooner than the first full pay period in the election period. While the chart shows January 1 and July 1, the actual date will be the beginning of the first full pay period in that month. Open seasons are listed separately.

Effective Date of Termination	Resume Contributions
February 1–May 14	January 1
May 15–July 31	January 1
August 1–November 14	July l
November 15–January 31	July 1

596 Loans

596.1 Eligibility

Employees must have at least $1,000 of their own contributions and the earnings associated with those contributions in their TSP account to be eligible to apply for a loan.

596.2 Types of Loans

596.21 Residential Loans

Residential loans are only for the purchase of a primary residence.

596.22 General Purpose Loans

General purpose loans can be used for any purpose.

596.3 Applications

596.31 TSP-20, Thrift Savings Plan Loan Application

This form is provided to any eligible employee who requests it. The employee is responsible for completing the form and submitting it to the TSP Service Office.

596.32 Documentation

Residential loans require documentation as specified on the TSP-21-R, *Residential Loan Documentation,* which is mailed to the employee by the TSP Service Office following acceptance of the TSP-20. There is no loan documentation requirement for general purpose loans.

596.4 Interest

596.41 Rate

The interest rate charged on the loan is the latest available interest rate for the G Fund at the time the application is received. The interest rate will be shown on the Loan Agreement the employee receives from the TSP Service Office.

596.42 Guarantee

The interest rate is guaranteed for 45 days. If the TSP Service Office does not receive the signed Loan Agreement within that time frame, the application is cancelled.

596.43 Duration

Once the Loan Agreement is signed and received by the TSP Service Office within the established time frames the interest rate is fixed for the life of the loan.

596.44 Payment

The interest along with repayments on loan principal paid by an employee is deposited into the employee's TSP account.

596.45 Taxes

Because the interest paid by the employee is paid into the employee's TSP account, the interest is not tax-deductible and is not tax-deferred.

596.5 Restrictions

596.51 Amounts

596.511 Minimum Amount

The minimum an employee can borrow is $1,000. Employees must have at least $1,000 of their own contributions and the earnings associated with those contributions in their TSP account to be eligible to apply for a loan.

596.512 Maximum Amount

The Federal Employees' Retirement System Act (FERSA) of 1986 and Internal Revenue Code (IRC) limit the amount employees can borrow. Employees can never borrow more than $50,000 nor more than the total of their own contributions and the earnings associated with those contributions. The employee contribution and associated earnings balance and previous TSP activity are additional factors that determine maximum funds available for loan purposes (see 596.7).

596.52 Duration

596.521 Minimum Duration

The minimum length of a loan is 1 year.

596.522 **Maximum Duration**

The maximum length for a general purpose loan is 4 years. The maximum length for a residential loan is 15 years.

596.53 Collateral

The employee is not required to put up any property or other security for a loan.

596.54 Basic Pay Test

When employees apply for a loan, they are required to show that they will have at least 10 percent of their basic pay left each pay period after the loan payment is made. Employees will be required to submit copies of their most recent earnings statements to the TSP Service Office for this purpose.

596.55 Number of Loans

Employees may have two outstanding loans at any time. However, they may have only one residential loan at a time.

596.56 Spousal Rights

FERSA provides certain rights to spouses of TSP participants. Therefore, employees must indicate marital status on the TSP-20. Married CSRS employees must supply the spouse's name and address, as the TSP Service Office must *inform* the present spouse upon receipt of the loan application. Married FERS employees must have spousal *consent* for loans, acknowledged by the spouse's signature on the Loan Agreement supplied by the TSP Service Office. Exceptions to spousal rights provisions are explained in TSP loan material.

596.57 Court Orders

Certain court orders on file at the TSP that award payment from the account to someone other than the employee place a hold on the account and disallow approval of loan applications (see 598.1).

596.6 Loan Repayment

Loans must be repaid in substantially equal installations through automatic payroll deductions. Employees who wish to repay their loans in full must contact the TSP Service Office which will supply them with the full repayment amount. Employees then pay the full amount directly to the TSP Service Office, which will notify the Postal Service to end the automatic deduction. No partial direct payments are permitted.

596.7 Additional Information

The booklet, TSPBK04, *Thrift Savings Loan Program*, contains additional information and should be provided to employees interested in the loan program.

596.8 Verification of Participant’s Account

Employees who wish a verification of their TSP account balance for a financial institution should have the financial institution write to:

THRIFT SAVINGS PLAN SERVICE OFFICE
CLIENT LIAISON AND COUNSELING SECTION
NATIONAL FINANCE CENTER
PO BOX 61502
NEW ORLEANS LA 70161-1500.

The request must include the participant’s name, Social Security number, date of birth, and the participant’s signature authorizing the release of the information. The financial institution should enclose a self-addressed, stamped envelope.

597 Withdrawal of Funds

597.1 Eligibility

TSP is a long-term savings program designed to provide retirement income. Funds may be withdrawn upon retirement, separation, or death. In addition, in-service withdrawals may be made under limited circumstances (see 597.9).

597.2 Withdrawals Upon Separation

597.21 Withdrawal Options

Persons who have separated or retired are provided several options for the withdrawal of TSP funds. These options are:

a. *Life annuity* — This is a monthly benefit paid to the separated person (or his or her survivor) for life. (Refer to TSPBK05, *Thrift Savings Plan Annuities.*)

b. *Single payment distribution* — This is a distribution of the entire account balance in one payment.

c. *Monthly payments* — This distribution is made in a series of payments calculated over a fixed number of months or in a fixed dollar amount until depletion of the account balance.

d. Transfer to an Individual Retirement Arrangement (IRA).

597.22 Mandatory Automatic Cashout

Persons separated with vested account balances of $3,500 or less are subject to the TSP automatic cashout procedures. Unless the TSP Service Office is in receipt of a TSP-70, *Withdrawal Request,* advising of the election of a withdrawal option as listed in 597.21 or an election to leave money in the TSP, funds are automatically paid.

597.23 Required Minimum Distribution

Regulations passed under the Thrift Savings Plan Act of 1996 (Public Law 104–208) taking effect in March 1998 regarding TSP withdrawal elections provide as follows:

a. Employees who separate after they reach age 70½ must withdraw their TSP accounts (or begin receiving monthly payments) by April 1 of the year following the year in which they separate.

b. Separated participants must withdraw their TSP accounts (or begin receiving monthly payments) by April 1 of the year following the year in which they reach age 70½.

c. Separated participants who do not make a withdrawal election by the deadline have an annuity purchased for them by the TSP (refer to booklet TSPBK05, *Thrift Savings Plan Annuities*).

597.24 Spousal Rights

597.241 Vested Account Balances of More Than $3,500

FERSA provides certain rights to spouses of TSP participants. Married participants with vested account balances of more than $3,500 must satisfy the spouses' rights requirement before the withdrawal option requested may be processed. A spouse of a FERS participant is entitled to a survivor annuity under a joint life annuity. Employees electing to purchase a different type of annuity, a single payment withdrawal, or a series of monthly payments must include a statement signed by their spouse waiving spousal right to the required annuity. A spouse of a CSRS participant must be *notified* of the elected withdrawal option and any future change to that election. Exception to spousal rights requirements are explained in TSP withdrawal material.

597.242 Vested Account Balances of $3,500 or Less

For withdrawals of vested account balances of $3,500 or less, see 597.22.

597.3 In-Service Withdrawals

597.31 Type of Withdrawal

In-service withdrawals provide employees an opportunity to withdraw funds from their TSP accounts while still employed, including employees in nonpay status. Two types of in-service withdrawals are available:

a. *Age-based withdrawal* — This option allows employees who are 59½ or older a one-time opportunity to withdraw all or a portion of the vested account balances.

b. *Financial hardship withdrawal* — This option allows employees (regardless of age) who demonstrate financial hardship an opportunity to withdraw their own contributions and the earnings on those contributions, up to the amount of the documented hardship.

597.32 Application

TSP-75, *Age-Based In-Service Withdrawal Request,* and TSP-76, *Financial Hardship In-Service Withdrawal Request,* are available from the TSP Service Office, the web site, or the personnel services offices.

597.33 Restrictions

597.331 Pay Period Contributions

Employees who receive *financial hardship* in-service withdrawals may not make employee contributions to their TSP account for a period of approximately 6 months. This 6-month period is called a noncontribution period. The noncontribution period begins on the first day of the pay period following the 46th day after the date the funds are disbursed. The noncontribution period ends on the first day of the pay period following the 226th day after the funds are disbursed. FERS employees in pay status continue to receive the agency automatic (1 percent) contribution.

597.332 Spousal Rights

FERSA provides certain rights to spouses of TSP participants. Therefore, employees must indicate marital status on the TSP-75 and TSP-76. Married CSRS employees must supply spouse's name and address, as the TSP Service Office must *inform* the present spouse upon receipt of the in-service withdrawal request application. Married FERS employees must have spousal *consent* for in-service withdrawals, acknowledged by the spouse's signature on the in-service withdrawal request application. Exceptions to spousal rights provisions are explained in TSP withdrawal material.

597.333 Court Orders

Certain court orders on file at the TSP that award payment from the account to someone other than the employee place a hold on the account and disallow approval of in-service withdrawals (see 598.1).

597.4 Death

597.41 Prior to Separating

If an employee dies while still employed, the balance in the TSP account is distributed in accordance with Form TSP-3, *Designation of Beneficiary.* If no designation of beneficiary is on file, the account is distributed in accordance with the order of precedence required by law:

a. To the surviving spouse.

b. If none, to the child or children and descendants of deceased children.

c. If none, to any surviving parents.

d. If none, to the duly appointed executor or administrator of the estate.

e. If none, to the next of kin who is entitled under the laws of the state in which the employee is living at the time of death.

597.42 After Separation

Any remaining balance is paid in the same manner as in 597.41 unless an annuity was purchased, in which case benefits are provided according to the annuity contract.

597.5 Spousal Rights

Federal law grants certain rights to spouses and former spouses regarding TSP funds. The TSP must take these rights into consideration when participants apply to withdraw funds after separation or while actively employed, or apply to borrow funds under the TSP loan program (see 596.56, 597.24, and 597.332).

597.6 Withdrawal Packages

597.61 Personnel Services Office Responsibilities

597.611 Separations and Retirements

All TSP participating employees who separate or retire must receive a TSP Withdrawal Package at the time of separation. TSP participating employees are all employees who have a TSP account, including FERS employees who are not contributing and only receiving agency automatic (1 percent) contributions and employees who are not currently contributing but who have established an account in the past.

597.612 Deaths

Representatives (family members or other interested individuals) of deceased participating employees, including those in a nonpay status, who request to file death claim applications must be provided a TSP Withdrawal Package. Deceased employees are considered automatically vested in any agency automatic (1 percent) contributions and earnings associated with those contributions (see 597.511 for a definition of participating employees).

597.62 Contents

The following materials must be included in all TSP Withdrawal Packages:

a. TSPBK02, *Withdrawing Your TSP Account.*

b. TSP70, *Withdrawal Request,* with TSP-70-T, *Transfer Information,* attached.

c. TSP-3, *Designation of Beneficiary.*

d. TSP-9, *Change of Address for Separated Participants.*

e. TSP-16, *Exception to Spousal Requirements.*

f. TSP-17, *Application for Account Balance of Deceased Participant.*

g. *Important Tax Information About Payments From Your Thrift Savings Plan Account.*

597.7 Additional Information

The booklets TSPBK02, *Withdrawing Your TSP Account Balance,* and TSPBK12, *TSP In-Service Withdrawals,* contain additional information concerning participant's options.

597.8 Return to Federal Service

If an individual reenters government service after separating or retiring with a vested balance, the following applies:

a. *Forfeited Balance.* Any amount that was forfeited as a result of the previous separation remains forfeited.

b. *Civilian Service.* Prior periods of civilian service that are still creditable are added to the current period to determine vesting.

c. *Withdrawing Fund in Equal Installments.* If the individual is receiving equal installments from TSP, the installment will stop upon reemployment.

d. *Receiving an Annuity.* If the individual is receiving an annuity, it will continue upon reemployment.

598 Court Orders

598.1 Types

The Federal Retirement Thrift Investment Board honors orders for the enforcement of outstanding child support or alimony obligations under regulations issued at 5 CFR Part 1653. The Board also honors the following retirement benefits court orders that are issued in connection with a divorce, annulment, or legal separation and that meet the requirements of the Board's regulations:

a. Preliminary court orders issued prior to final decrees, for the purpose of freezing a participant's TSP account.

b. Final court orders.

c. Amendatory court orders issued subsequent to a decree for the purpose of amending the decree with respect to the TSP.

598.2 Requirements

A qualifying Retirement Benefits Court Order must meet the following criteria to be honored by the Board:

a. The order must *expressly relate* to the TSP account.

b. The amount of entitlement in the order must be *clearly determinable.*

c. The order must require payment to a person other than the TSP participant.

598.3 Notification

The Board notifies participants of any court orders received against their accounts and advises that the account has been frozen to prevent withdrawal of funds and loan opportunities. The Board also informs participants of its decision regarding such court orders and, if applicable, gives them information about how to appeal.

598.4 Effect on Withdrawal Options

A participant's choice of a withdrawal option cannot conflict with the provisions of a valid court order. If there is a court order on file with the Board and the participant selects an option that cannot be processed because of the court order, the participant is notified and asked to make another choice.

598.5 Effect on Loans

A qualifying court order may restrict the employee’s ability to receive a loan. The TSP reviews each court order individually to determine its effect.

598.6 Address

Qualified court orders must be submitted to:

THRIFT SAVINGS PLAN SERVICE OFFICE
NATIONAL FINANCE CENTER
PO BOX 61500
NEW ORLEANS LA 70161-1500

598.7 Additional Information

The booklet TSPBK11, *Information About Court Orders,* contains additional information concerning handling of court orders. This booklet is available at personnel services offices or on the web site.