

# Is the TSP Offering a Roth 401(k) Plan?

The Thrift Savings Plan (TSP) is currently not offering a Roth 401(k) feature. This Fact Sheet explains why.

## *What is a Roth 401(k) plan?*

A Roth 401(k) plan allows participants to contribute after-tax money to the 401(k) plan. However, these contributions, plus any pre-tax contributions to the participant's 401(k) plan(s), cannot exceed the IRS elective deferral limit for the year. Earnings on Roth 401(k) plan contributions are generally tax free. There are other rules that apply.

## *Is the TSP authorized to offer a Roth 401(k) plan?*

Roth 401(k) plans are permitted under the U.S. Tax Code for years 2006–2011. Private sector plan sponsors may modify their plan documents to allow this option. However, the TSP “plan document” is a statute incorporated into title 5 of the U.S. Code. Title 5 was not amended to authorize Roth accounts for the TSP.

## *Would a Roth feature make sense for the TSP?*

Providing Roth 401(k)-like TSP accounts would be an extensive and costly administrative undertaking for the TSP. It would entail an enormous effort to overhaul our systems and communications materials, implement an after-tax retirement savings program in addition to our current pre-tax program, and educate 4 million participants about how to choose wisely between the two approaches. Agency and uniformed services payroll and personnel systems would also have to be changed substantially to submit these after-tax contributions to the TSP.

The costs of the TSP's effort would be borne directly by participants, as the TSP does not receive appropriations of taxpayer funds from the Congress. The TSP Board must manage the funds in the Plan at low cost and solely in the interest of participants and beneficiaries.

Because the benefits of a Roth 401(k), as compared to a traditional 401(k), may well be marginal or nonexistent for many TSP participants, the Board is monitoring the private sector 401(k) experience with Roth features, and continuing to analyze the available data to determine the appropriateness of adding a Roth feature to the TSP.

## *Will a Roth feature be added in the future?*

Because of the interest in adding a Roth 401(k) feature to the TSP, the Board is working with Congress on granting the TSP this flexibility. H.R. 1108, which passed in the U.S. House of Representatives on July 30, includes authority (but no deadline) for the Board to add a Roth feature. The legislation has gone to the Senate for action. The Board is monitoring its progress closely.