



TO: Active Duty PHS Commissioned Corps Officers

FROM: Compensation Branch, Office of Commissioned Corps Support Services/PSC

SUBJECT: Thrift Savings Plan for the Uniformed Services

The National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398), extended the opportunity to participate in the Thrift Savings Plan (TSP) to members of the Uniformed Services.

The TSP is a retirement savings and investment plan that offers you the same type of savings and tax benefits that many private corporations offer their employees under so-called "401(k) plans." The TSP is a defined contribution plan. That is, the retirement income that you receive from the TSP depends upon how much you have contributed to your account and the earnings that have accrued on those contributions. The money that you invest in the TSP comes from pre-tax dollars and reduces your current taxable income. Your investments and earnings are not taxed until they are withdrawn.

The Federal Retirement Thrift Investment Board administers the TSP and contracts with the U.S. Department of Agriculture's National Finance Center (NFC) to serve as the TSP record keeper. The Compensation Branch (CB), as your primary TSP point of contact, distributes TSP materials, answers TSP processing questions, processes your Form TSP-U-1, Thrift Savings Plan Election Form, reports the information needed to establish and maintain your account to the TSP record keeper, and also reports the dollar amount contributed to your account.

Public Law 108-469, which was signed into law on December 21, 2004, eliminates the TSP open seasons and the restrictions on contribution elections which are tied to open seasons. **The Federal Retirement Thrift Investment Board implemented this law on July 1, 2005.**

When can members contribute or make changes? Effective July 1, 2005, members may elect to start, change or stop TSP at any time. Complete the [Election Form \(TSP-U-1\)](#), and send the original to the Compensation Branch **by the 10th duty day of the month** at the address below. **Faxed copies of the TSP-U-1 are not acceptable.**

**Office of Commissioned Corps Support Services
Compensation Branch, Room 4-50
5600 Fishers Lane
Rockville, MD 20857**

Please remember to keep a copy for your personal records.

Form TSP-U-1 may also be downloaded from <http://www.tsp.gov/uniserv/forms/index.html>.

When elections become effective If your election is received in CB on or before the 10th of a month, the first deduction (if you have not reached the 2005 limit) for TSP will become effective that month. For elections received in CB after the 10th of a month, the first deduction for TSP will be made in the following month. Notification on your monthly earnings statement is your confirmation that your TSP account has been started.

After your first TSP deduction has been made, the National Finance Center (NFC) will notify you that your account is established. The notification will include a 4-digit TSP PIN. Your funds will initially be invested in the Government

Securities Investment (G) Fund. You may use your PIN to allocate your funds between the separate TSP investment funds. (Note: If you have a TSP account as a result of a civilian appointment, you will receive a separate PIN for your uniformed services account. You must make separate allocations for each account. TSP accounts that result from previous civilian employment may be rolled over into your uniformed services TSP account. A form TSP-65 "Request to Combine Uniformed Services and Civilian TSP Account" will need to be submitted to the TSP Service Office/NFC. Please see <http://www.tsp.gov/forms/tsp-65.pdf> to acquire form TSP-65.)

How do I complete the TSP-U-1? The only pays that may be contributed to TSP are **basic pay, incentive pays (monthly), special pays (monthly), and bonuses (lump sum contractual)**. The back of the TSP-U-1 provides detailed instructions, however, the following information may be helpful in completing the TSP-U-1. If you need help completing the form, or are unable to download it, please contact the Compensation Branch at 301-594-2963.

The following may **not** be contributed to TSP:

Allowances (Basic Allowance for Housing, Basic Allowance for Subsistence, etc)
Cash Awards
Lump Sum Leave sell-back
Separation Pay

Please complete Section I. The CB will provide the Thrift Savings Board with your payroll address. Please type or print legibly, and make sure that CB has a daytime telephone number where you can be reached in case there are questions regarding your TSP-U-1.

(Do not use this form to change your payroll address. Changes in your payroll address should be submitted directly to CB and will be reported in the normal update to NFC.

Please use the following guidelines in the completion of Section II of the TSP-U-1.

Item 7 You must elect to contribute between **1 and 10 percent of base pay**. This election must be in whole percent increments. You may not elect more than 10 percent and you must contribute at least 1 percent of your base pay to be eligible to contribute under items 8, 9, or 10.

Items 8, 9, and 10 The table below provides guidance for the completion of **items 8, 9, and 10**. For the sum of all the pays listed in each of these items, you may contribute **0 to 100 percent** (in whole percent increments). It is important to understand that the percentage of the election made from each of the categories will result in the uniform application of the percent selected to all pays the officer receives under that category. As an example, a medical officer that elects 20 percent of #9, Special Pays, will have 20 percent deducted from VSP and BCP. It is not possible to limit the percent deposit to individual types of pay such as VSP.

The combined maximum annual TSP contributions from items 7, 8, 9, and 10 can not exceed the IRS limit of \$14,000 for calendar year 2005. The automated payroll system will stop further deductions once the \$14,000 ceiling is met.

The following chart will assist you in identifying which pays are covered under incentive pays, special pays, and bonus pay:

<u>8. Incentive Pays (Monthly)</u>	<u>9. Special Pays (Monthly)</u>	<u>10. Bonus Pays (Contractual Lump Sum)</u>
Hazardous Duty Incentive Pay	Variable Special Pay (Medical, Dental, and Pharmacy)	Retention Special Pay(Medical)
Aviation Career Incentive Pay	Board Certified Pay (Medical, Dental, Veterinary, and Nonphysician)	Additional Special Pay (Dental)
Leprosy Pay	Monthly Special Pay for Veterinarians and Optometrists	Multiyear Retention Bonus (Physicians and Dentists)
Hostile Fire and Imminent Danger Pay		Incentive Special Pay (Medical)
Career Sea Pay		Accession Bonus (Nurse, Dental, or Pharmacy)
		Engineering and Scientific Career Continuation Pay
		Nurse Special Pay (Nurse Anesthetists)
		Optometrists Retention Special Pay
		Career Status Bonus (REDUX)

If you think you might receive incentive pay, special pay, or bonus pay in the near future, you may decide now how much you want put into your TSP account and it will take effect automatically when you receive that pay.

Your TSP election remains in effect until you submit another contribution election or you separate from service. For example, if you elect to contribute from bonus pay, your election will cover future installments or any other bonuses to which you become entitled. If this is not your intent, you will need to make another contribution election to terminate or change your contributions from bonus pay.

Will I receive matching contributions? The PHS Commissioned Corps does not have any immediate plans to offer matching contributions.

How Do I Change the Amount I am Contributing? Effective July 1, 2005, open seasons are eliminated so as of that date, you may change your contributions at any time. Changes may be requested by completing an Election Form (TSP-U-1), following the current maximum contribution guidelines. The original TSP-U-1 must be sent to the CB, keeping a copy for your personal records. Therefore, as an example, if your change request is received in CB on or before the 10th of a month. For elections received in CB after the 10th of a month, the first deduction for TSP will be made in the following month. Notification on your monthly earnings statement is your confirmation that your TSP account has been changed.

How do I allocate my contribution between the TSP funds? You may invest your money in any or all of the TSP investment funds available. To do this, you must tell the National Finance Center how you want your money allocated by using the TSP Web site (www.tsp.gov), or the Thrift Line - callers from **inside** the United States and Canada may call toll free (877)968-3778 or dial (404)-233-4400, or by mailing Form TSP-U-50, "Investment Allocation,"(available from CB) to the National Finance Center. If you use the Web site or the Thrift Line, you will need the TSP Personal Identification Number (PIN) mailed to you by the National Finance Center. You may only send in a TSP-U-50 to allocate between the different funds after your 1st contribution is received by TSP and you have received your PIN from the NFC. Otherwise, your request will be denied. Your fund allocation, when accepted,

will remain in effect until you specifically change it again. Although the TSP-U-50 is available for distribution from CB, CB can not change allocation between funds, nor do we accept TSP-U-50 forms for submission of changes.

Can I change how my account balance is invested? You may request an interfund transfer using the TSP Web site, the Thrift line, or Form TSP-U-50. An interfund transfer will change the way money already in your account is invested. Please note that an interfund transfer is different from a contribution allocation. A contribution allocation changes only the investment of future contributions to your account. An interfund transfer shifts your account balance from one account to another. You may request an interfund transfer at any time. However, interfund transfers are processed only once a month and affect your account balance as of the end of the relevant month. If you want to change the investment of both your account balance and future contributions to your account, you must request both an interfund transfer and a contribution allocation. (Note: If you have a TSP account as a result of a civilian appointment, you must request separate interfund transfers for each account.)

I Am Over 50, How Do I Participate In The “Catch Up” Contributions? You are eligible to make “catch up” contributions for any tax year in which you are age 50 or older, and you are currently contributing the maximum TSP allowable under the current contribution guidelines. “Catch up” contributions can only be taken from basic pay and are in addition to your normal TSP contribution amount. Complete the [Catch-Up Contribution Election Form \(TSP-U-1-C\)](#), and send the original to the Compensation Branch at the address above. **The original form must be received in CB. Faxed copies of the TSP-U-1-C are not acceptable.**

Please complete Section I. Please type or print legibly, and make sure that CB has a daytime telephone number where you can be reached in case there are questions regarding your TSP-U-1-C.

Completion of Section II requires that you elect a whole dollar amount (not a percent) to be deducted from each pay period. Your TSP election remains in effect until the maximum “catch up” contribution of \$4000 is reached, or the end of the calendar year, or you submit a new election form to stop or change the amount.

You must submit a new TSP-U-1-C for each year in which you choose to participate in the “catch up” contributions.

How do I stop contributing into the TSP? You may stop putting money into the TSP **at any time** by completing an Election Form (TSP-U-1) and sending the original to the CB. Please remember to keep a copy for your personal records. If you stop contributing from basic pay, your contributions from all other sources of pay will also be stopped. However, you can stop contributing from incentive pays, special pays, or bonus pays, and continue to contribute from basic pay.

If you submit a contribution election to stop your contributions from basic pay, incentive pay, special pay, or bonus pay, you may elect to resume contributions from these types of pay at any time. However, a member must elect to contribute from basic pay to be eligible to contribute from incentive pays, special pays, or bonus pay.

Where do I go for more information? All TSP information (including *Summary of the Thrift Savings Plan for the Uniformed Services* booklet), participation and contribution rules, investment options, loans, withdrawals, and other important TSP information (e.g., designating TSP beneficiaries or the actions you must take to manage your accounts if you have both a uniformed services and civilian account), and forms are available at the TSP website, (www.tsp.gov) and this should be your primary TSP resource. Please visit the TSP website before you make a TSP decision. In fact, when you enter your Social Security number and TSP PIN at the website, you can get immediate information about your account.

For additional information about the TSP investment funds, contribution allocations, and interfund transfers, see the *Guide to TSP Investments*, which is available at the TSP Web site.

If you have questions concerning TSP fund selection or the tax implications of your TSP decisions, consult with a professional financial planner or tax advisor.