



# Thrift Savings Plan BULLETIN

for Agency TSP Representatives

**Subject:** Thrift Savings Plan Death Benefits

**Date:** April 15, 1998

This bulletin contains information about Thrift Savings Plan (TSP) death benefits. Attachment 1 is a copy of the TSP regulations on death benefits which were published in the Federal Register on June 13, 1997. Attachment 2 is a copy of the notice "Important Tax Information About Thrift Savings Plan Death Benefit Payments," which was revised in March 1998. Attachment 3 is a copy of Form TSP-17, Information Relating to Deceased Participant, which was also revised (and renamed) in March 1998.

## I. Entitlement

- A. If a participant dies before completing a TSP withdrawal election, the TSP account will be paid according to the order of precedence set forth in 5 U.S.C. § 8424(d). That is, the account will be paid:
1. To the beneficiary (or beneficiaries) designated by the participant on a properly completed and filed Form TSP-3, Designation of Beneficiary (as described in Sections 1651.3 and 1651.4 of the attached regulations);
  2. If there is no designated beneficiary, to the widow or widower (as described in Section 1651.5 of the regulations);
  3. If none, to the child or children and descendants of deceased children by representation (as described in Section 1651.6 of the regulations);

*(continued on next page)*

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**Inquiries:** Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

**Chapter:** This bulletin may be filed in Chapter 10, Death Benefits.

**Supersedes:** This bulletin supersedes TSP Bulletins 94-6, Thrift Savings Plan Death Benefits, dated March 15, 1994, and 87-56, Introduction of Form TSP-17, Application for Account Balance of Deceased Participant, dated October 13, 1987.

4. If none, to the surviving parent or parents (as described in Section 1651.7 of the regulations);
  5. If none, to the duly appointed executor or administrator of the estate (as described in Section 1651.8 of the regulations);
  6. If none, to the next of kin who is entitled under the laws of the participant's domicile on the date of the participant's death (as described in Section 1651.9 of the regulations).
- B. If a participant dies after submitting a valid TSP withdrawal election, the TSP account will be paid according to the conditions specified by Section 1651.2(b) of the death benefit regulations.
- C. A will may not be used to designate a beneficiary of a TSP account. (See Section 1651.3(d) of the regulations.) Also, the TSP will not honor a designation of beneficiary that is set forth in a court decree of divorce, annulment, or legal separation or in any court order or court-approved property settlement agreement incident to such a decree that is issued under 5 U.S.C. § 8435(c).
- D. Because entitlement to a TSP death benefit payment is created at the time of the participant's death, the following rules apply:
1. If a beneficiary designated by a participant on Form TSP-3 dies before the participant, the beneficiary's share will be paid to the other designated beneficiaries in proportion to the shares designated by the participant. If there are no designated beneficiaries who survive the participant, the account will be paid according to the statutory order described in A above.
  2. If a beneficiary dies at the same time as the participant, the beneficiary will be treated as if he or she had died before the participant.
  3. If a beneficiary dies after the participant but before payment is made, the beneficiary's share will be paid to the beneficiary's estate.
  4. If a trust is designated by a participant on Form TSP-3 and it is not in existence on the date the participant dies or if it is not created upon the participant's death, the account will be paid to the other designated beneficiaries. If there are no other designated beneficiaries, the account will be paid according to the statutory order of precedence described in A above.

## **II. Method of payment**

### **A. Payment to the widow or widower**

If the participant's widow or widower (surviving spouse) is the beneficiary, she or he can:

1. Receive the TSP death benefit as a single payment;
2. Have the TSP transfer the entire benefit to an Individual Retirement Arrangement (IRA), which is an Individual Retirement Account or Individual Retirement Annuity (other than an endowment contract);<sup>1</sup> or
3. Have the TSP transfer part of the benefit to an IRA and receive the remainder as a single payment.

The surviving spouse has all of the above options whether she or he is the sole beneficiary or one of multiple beneficiaries. Also, the surviving spouse may roll over any payment received directly from the TSP into an IRA within 60 days of the date of receipt of the payment. However, if the total payment is over \$200, the TSP **must** withhold 20% for Federal income tax from any amounts paid **directly** to the surviving spouse. The surviving spouse may also request additional withholding.

B. Payment to all other individuals

If a beneficiary is **not** the surviving spouse, the beneficiary will receive the death benefit as a single payment. The payment is subject to 10% Federal income tax withholding. This tax withholding may be waived (or increased) by the beneficiary. A payment to a beneficiary who is not the surviving spouse cannot be transferred or rolled over into an IRA.

C. Payment to multiple beneficiaries

If a TSP account is to be paid to more than one beneficiary, the account generally will be paid to all the beneficiaries at the same time (i.e., during the same monthly processing cycle). An exception to this provision may be made if a beneficiary cannot be located.

D. Tax information about methods of payment

Attachment 2, "Important Tax Information About Thrift Savings Plan Death Benefit Payments," summarizes the tax rules applicable to TSP death benefit payments. This notice, dated March 1998, **supersedes** all previous versions of the death benefit tax notice. The notice is also available from the TSP Web site ([www.tsp.gov](http://www.tsp.gov)).

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<sup>1</sup> A surviving spouse can transfer or roll over a death benefit payment only to an IRA. The payment may not be transferred or rolled over to another eligible retirement plan, including the surviving spouse's TSP account if she or he has one.

### **III. Form TSP-3, Designation of Beneficiary**

#### **A. Agency responsibilities**

1. Agencies must provide Form TSP-3 to their employees upon request. The form, which was revised October 1996 and included as an attachment to TSP Bulletin 96-31, dated October 28, 1996, is also available from the TSP Web site.
2. Agencies must forward all Forms TSP-3 found in the Official Personnel Folders (OPFs) of their employees to the TSP record keeper. As outlined in B.2 below, Form TSP-3 must be submitted to the TSP record keeper. Before 1995, however, employees who had not separated from Federal service were required to submit Forms TSP-3 to their agencies. Consequently, when this submission procedure was changed, agencies were to forward all Forms TSP-3, which had been filed in the employees' OPFs, to the TSP record keeper. (See TSP Bulletin 94-29, dated November 22, 1994, for more information about this responsibility.) Although all Forms TSP-3 should now have been forwarded to the TSP record keeper, if the agency discovers a form in an OPF, it must send the form to the TSP record keeper immediately.

#### **B. Participant responsibilities**

1. Participants must complete Form TSP-3 to designate TSP beneficiaries. Participants are responsible for the correctness and completeness of the form.
2. Participants must submit Forms TSP-3 to the TSP record keeper. The address is on the back of the form. The form must be received by the record keeper on or before the participant's date of death.
3. Participants must complete and submit a new Form TSP-3 to change prior designations of beneficiaries. Participants may cancel prior designations of beneficiaries by submitting either a new valid Form TSP-3 or a letter, signed and dated by the participant and witnessed in the same manner as Form TSP-3, stating that all prior designations are canceled.

#### **C. TSP record keeper responsibilities**

1. The TSP record keeper processes and retains Form TSP-3.
2. If a Form TSP-3 is on file, this fact and the date the form was signed by the participant will be indicated on the participant's TSP Participant Statement.
3. The TSP record keeper will respond to inquiries regarding the submission of Form TSP-3 and forms that have been filed.

#### **IV. Form TSP-17, Information Relating to Deceased Participant**

##### **A. Agency responsibilities**

If a TSP participant dies while still in Federal service, the agency should provide Form TSP-17 to a family member, executor, or potential beneficiary and assist with its completion. The death benefits tax notice (which must be reproduced locally or downloaded from the TSP Web site) may also be provided. Agency representatives may call the TSP record keeper at 504-255-6000 if they need assistance in this process.

Form TSP-17 was revised and renamed in March 1998. At this time, the March 1998 revision does **not** supersede the August 1987 version of Form TSP-17, Application for Account Balance of Deceased Participant, and we will not be providing agencies with supplies of the revised Form TSP-17 until a later date. (We are, however, superseding TSP Bulletin 87-56, which transmitted the August 1987 version of Form TSP-17.) The March 1998 revision is available from the TSP Web site, and the TSP Service Office will send the new form to individuals who request an application for death benefits.

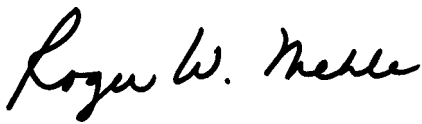
##### **B. Applicant responsibilities**

1. When a TSP participant dies, Form TSP-17 must be completed and submitted to the TSP record keeper to initiate the processing of the death benefit.
2. Anyone may complete and submit Form TSP-17. The form does not have to be completed by a beneficiary. Completing and submitting this form does not entitle the individual taking these actions to the TSP death benefit.
3. Only one Form TSP-17 needs to be submitted for an account, even if multiple beneficiaries are involved.
4. The individual completing Form TSP-17 should ensure that the information provided is accurate and as complete as possible. Full names, addresses, and Social Security numbers of all individuals who are listed on Form TSP-17 should be provided. If the beneficiary is an estate or a trust, the Taxpayer Identification Number (TIN) must be provided instead of a Social Security number.

If full information is unknown, the applicant should give all known information (e.g., the last known city or state where an individual resided or the names, addresses, and telephone numbers of others who may know the individual's whereabouts). If the beneficiary is deceased, that information and the date of death should also be provided in Section VI of the new Form TSP-17.

It is important that Form TSP-17 be accurate and as complete as possible because the TSP relies on this form to locate and pay beneficiaries if no Form TSP-3 is on file or if additional information is needed. Incomplete information may delay the payment of the death benefit.

5. **A copy of the certified death certificate must be attached to Form TSP-17.**
  6. Applicants may call the TSP record keeper if they have questions about completing the form or the death benefit payment process.
- C. TSP record keeper responsibilities
1. The TSP record keeper processes Forms TSP-17 and TSP-3 to determine the beneficiaries of the participant's TSP account.
  2. The TSP record keeper notifies the beneficiaries of the entitlement to a death benefit payment and of the tax rules that apply to the payment. If the beneficiary is the surviving spouse, the beneficiary is also notified of his or her payment options (see Section II.A above).
  3. The TSP record keeper will then make the payment to the beneficiaries. Generally, payment will take place two months after notification of the beneficiaries. The entire process (from receipt of Form TSP-17 and the death certificate to payment) generally takes three months. However, payment of a TSP death benefit may be delayed if the TSP is unable to locate a beneficiary or if other information is missing.
  4. The TSP record keeper provides assistance to applicants and beneficiaries throughout the process of making death benefit payments.



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Attachments: Death Benefits; Final Rule  
Notice "Important Tax Information About Thrift Savings Plan Death  
Benefit Payments"  
Form TSP-17, Information Relating to Deceased Participant, March 1998