



Thrift Savings Plan BULLETIN

for Agency TSP Representatives

Subject: Uniformed Services Participation in the Thrift Savings Plan

Date: November 30, 2001

The National Defense Authorization Act for Fiscal Year 2000, as amended by the National Defense Authorization Act for Fiscal Year 2001, authorizes Thrift Savings Plan (TSP) participation for members of the uniformed services. Consequently, in January 2002, members of the uniformed services will begin participating in the TSP.

This bulletin highlights participation rules for uniformed services members and explains the maintenance of their TSP accounts. It also transmits the Federal Retirement Thrift Investment Board's regulations at 5 C.F.R. Part 1604 on uniformed services accounts, as published in the *Federal Register* on October 4, 2001.

I. Eligibility

All active duty and Ready Reserve members of the uniformed services are eligible to participate in the TSP. The uniformed services include the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration (NOAA).

II. Contribution Program

A. Contributions from basic pay

Like employees covered by the Civil Service Retirement System (CSRS), uniformed services members may contribute up to 7% of the basic pay they earn each pay period during 2002. This 7% limit will increase by one percent each

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Chapter: This bulletin may be filed in Chapter 2, General Information.

year through 2005. In 2006, it will be lifted altogether, and uniformed services members (like CSRS employees) may elect to contribute up to 100% of the basic pay they earn each pay period.

B. Contributions from incentive pay and special pay (including bonuses)

If members elect to contribute from basic pay, they may also elect to contribute up to 100% of the incentive pay, special pay, or bonus pay (which is an element of special pay) that they earn.

C. Combat zone contributions

Generally, TSP contributions made by uniformed services members are tax-deferred, just as are TSP contributions made by civilian employees. However, members may also make contributions from combat zone pay. Combat zone pay is not subject to Federal income tax, and TSP contributions from such compensation are also tax-exempt (as specified in the attached regulations). Earnings on contributions from combat zone pay are tax-deferred.

D. Matching contributions

The law allows the individual service secretaries (including the Secretaries of Transportation, Health and Human Services, and Commerce) to designate critical specialities as eligible for matching contributions. Only the first 5% a member contributes from basic pay can be matched (just as the contributions of employees covered by the Federal Employees' Retirement System (FERS) are matched). The law does not authorize agency automatic (1%) contributions for any uniformed services members. As of the date of this bulletin, no matching contributions have been authorized by the service secretaries.

E. Internal Revenue Code limits on TSP contributions

1. Section 402(g) limit (elective deferral limit)

Like the employee contributions made by civilian employees, **all tax-deferred employee contributions** made by uniformed services members (whether from basic, incentive, special, or bonus pay) are subject to the elective deferral limit stated in section 402(g) of the Internal Revenue Code. Consequently, during 2002, a member's tax-deferred employee contributions to the TSP are capped at \$11,000. Any contributions from combat zone pay that a member makes, however, are not subject to this limit because they are tax-exempt.

2. Section 415(c) limit

All TSP contributions (both tax-deferred and tax-exempt employee contributions and matching contributions) are subject to the annual limit stated in section 415(c) of the Internal Revenue Code. This limit, which is periodically adjusted by the Internal Revenue Service, is the lesser of 100% or, for 2002, \$40,000.

If, as explained in Section IV below, an individual participates in the TSP as both a uniformed services member and a FERS or CSRS employee, the total TSP contributions to both accounts for the year may not exceed the 415(c) limit. (If FERS, the total contributions include employee, agency automatic (1%), and agency matching contributions.)

III. Investment, Loan, and Withdrawal Programs

Members of the uniformed services who participate in the TSP have the same investment, loan, and withdrawal opportunities as civilian employees who participate in the TSP. The spousal requirements relating to loans and withdrawals are the same requirements as those for FERS employees.

IV. Separate Civilian and Uniformed Services Accounts

A. TSP data base

The TSP record keeper will maintain separate data bases for civilian and uniformed services participants. Consequently, if an individual participates in the TSP as both a civilian employee and a uniformed services member, the individual will have two TSP accounts. These accounts will be treated separately by the TSP system except in the following circumstances:

1. The total amount of contributions to both accounts cannot exceed the Internal Revenue Code limits described in II.E above.

If during a year an individual exceeds the elective deferral limit or the section 415(c) dollar limit (e.g., \$40,000 for 2002), the TSP will notify the individual and allow him or her to request a refund of excess deferrals. If the individual is a FERS employee and agency contributions must be removed from the civilian account (e.g., agency matching contributions attributable to refunded employee contributions), the TSP will ask the servicing payroll office to remove the agency contributions. Additional information about this process will be provided in 2002.

2. The Internal Revenue Code maximum loan amount will be calculated by using both account balances. However, the individual may never borrow more than the employee contributions and attributable earnings that are in the account from which he or she is requesting the loan.

B. TSP materials

1. Booklets

Separate Plan Summaries have been developed for civilian and uniformed services participants. However, all other booklets will be revised to incorporate information relating to both groups. For example, the *Guide to TSP Investments*, revised October 2001, continues to provide information about the TSP investment funds and TSP investment operations, but specific information for uniformed services participants has been added to it.

2. Forms

Separate sets of forms have been developed for civilian and uniformed services participants. All uniformed services forms have the letter "U" after the TSP designator. For example, the TSP Election Form for the uniformed services is Form TSP-U-1; the TSP Investment Allocation is Form TSP-U-50. Civilian participants must submit the forms developed for their TSP data base and uniformed services participants must submit the forms developed for theirs.

3. TSP bulletins

Separate bulletins will be issued to civilian agency representatives and service representatives. All uniformed services bulletins have the letter "U" after the two-digit year (e.g., TSP Bulletin 01-U-1; TSP Bulletin 01-U-2).

4. TSP Web site

The TSP Web site (www.tsp.gov) has been revised to allow civilian participants and agency representatives to access information and materials related to their data base and to allow uniformed services participants and service representatives to access information related to their data base. Common information is at the top of the home page.

All TSP materials except the TSP Investment Allocation (Form TSP-50 or Form TSP-U-50) may be obtained from the TSP Web site.

C. Participant actions

1. If an individual has two TSP accounts, he or she must make separate contribution allocations, separate interfund transfer requests, separate designations of beneficiary, and separate loan and withdrawal requests. (As explained above, if the participant uses a paper form to make the request, he or she must use the form applicable to the specific data base.) The individual will receive separate Personal Identification Numbers (PINs); however, he or she may customize the numbers so that they are the same.
2. If an individual separates from the uniformed services and has a civilian TSP account, the individual may ask the TSP to transfer the uniformed services account to his or her civilian TSP account. However, the TSP will not transfer tax-exempt combat zone contributions.

If an individual separates from civilian service and has a uniformed services TSP account, the individual may ask the TSP to transfer the civilian account to his or her uniformed services account.

In early 2002, Form TSP-65, Request to Combine Uniformed Services And Civilian TSP Accounts, will be available from the TSP Web site.

V. Application of USERRA provisions

The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) allows employees who separate or who are placed in nonpay status to perform military service to make up TSP contributions missed as a result of the military service after they return to positions covered by FERS or CSRS. If the employees return to FERS positions, they are also entitled to missed agency contributions.

The law authorizing participation in the TSP by uniformed services members amends USERRA to specify that the employee contributions that a FERS or CSRS employee may make up must be reduced by the amount of employee contributions that he or she made as a uniformed services member. The makeup agency matching contributions to which a FERS employee is entitled will be based on both the contributions made as deductions from **basic pay** to the uniformed services account and the makeup contributions being made to the civilian account. If, however, the employee received matching contributions to the uniformed services account, the makeup agency matching contributions must be reduced by the amount of any uniformed services matching contributions. A future TSP bulletin will contain more information about the TSP provisions of USERRA.

VI. Additional Information

Agency representatives who would like more information about uniformed services participation in the TSP should refer to the *Summary of the Thrift Savings Plan for the Uniformed Services* and the TSP bulletins for service representatives. These materials are available from the uniformed services sections of the TSP Web site.

A handwritten signature in cursive script that reads "Pamela-Jeanne Moran".

PAMELA-JEANNE MORAN
Deputy Director
Office of External Affairs

Attachment: 5 C.F.R. Part 1604