



# Thrift Savings Plan BULLETIN

for Agency TSP Representatives

**Subject:** Thrift Savings Plan Vesting Requirement and the TSP-Service Computation Date

**Date:** August 19, 1997

This bulletin explains the Thrift Savings Plan (TSP) vesting requirement and the TSP-Service Computation Date (TSP-SCD), which is used to determine vesting. It also contains examples of TSP-SCD computations.

## I. Regulations

The TSP regulations on vesting are found in 5 C.F.R. Part 1603. This bulletin transmits the final rule, as published in the Federal Register on June 23, 1997.

## II. Definitions

- A. **CSRS** refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.
- B. **FERS** refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.
- C. **First conversion deposit** refers to the retroactive agency contributions, including interest on these contributions, made under 5 U.S.C. § 8432(c)(3)(B) to the TSP accounts of employees who were automatically converted to FERS on January 1, 1987.
- D. **Forfeiture**, as used in this bulletin, refers to the removal of the Agency Automatic (1%) Contributions and associated earnings from a FERS employee's

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

**Supersedes:** This bulletin supersedes TSP Bulletin 95-17, Thrift Savings Plan Vesting Requirement and the TSP-Service Computation Date, dated May 18, 1995.

account when the employee separates from Federal service before meeting the TSP vesting requirement.

- E. **Separation from Federal service** is defined, for TSP purposes, by regulations in 5 C.F.R. Part 1603 and refers to any separation of 31 or more full calendar days.
- F. **TSP-SCD** refers to the data element that is a date, either actual or constructed, which reflects all service that counts for TSP vesting purposes.
- G. **Vesting** refers to the service requirement that must be met to entitle an employee to his or her pension plan benefit. The TSP vesting, or service, requirement is explained in Section IV below.

### **III. Agency Responsibilities**

- A. Determine the TSP-Vesting Code of FERS employees and submit the code to the TSP record keeper, the National Finance Center (NFC), on an Employee Data Record (01-Record). (See Section IV below.)
- B. Determine the TSP-SCD of FERS employees and submit the date to NFC on an Employee Data Record (01-Record). (See Section V below.)
- C. Verify the TSP-Vesting Code and the TSP-SCD that is in the agency payroll system when FERS employees separate from Federal service (i.e., when preparing the SF-50, Notification of Personnel Action, to document the separation). If data are erroneous, correct the information in the agency system and submit the corrected data to NFC on an Employee Data Record (01-Record).
- D. Determine the TSP-Separation Code and submit the code and the TSP-Separation Date to NFC on an Employee Data Record (01-Record) when employees separate from Federal service. (See TSP Bulletin 94-20, Changes to TSP-Separation Codes: Additional System Edits for TSP-Separation Codes and TSP-Date-of-Birth, dated August 29, 1994.)
- E. If submission of incorrect data (e.g., an incorrect TSP-SCD) results in a forfeiture, correct the data by submitting an Employee Data Record (01-Record) to NFC **and also** submit Form TSP-5-R, Request to Restore Forfeiture, to NFC. (See Section VI below and TSP Bulletin 95-18, Forfeiture Restoration Procedures and Introduction of Form TSP-5-R, Request to Restore Forfeiture, dated May 18, 1995.)

## IV. TSP Vesting

### A. TSP vesting requirement

1. The TSP vesting requirement applies only to the Agency Automatic (1%) Contributions and earnings associated with these contributions. Consequently, because only FERS employees receive these contributions, only FERS employees have a TSP vesting requirement.<sup>1</sup>
2. Most FERS employees must complete 3 years of service (as defined in Section V.C. below) to meet the TSP vesting requirement. However, employees serving in certain positions need to complete only 2 years of service to meet the TSP vesting requirement. (See IV.B. below.)
3. If FERS employees separate from Federal service before becoming vested in the TSP, the Agency Automatic (1%) Contributions and associated earnings in their accounts are removed and forfeited to the TSP.
4. If FERS employees die while employed in the Federal service, they are deemed to be vested in the TSP, no matter how few years of service they had completed. Consequently, an employee's beneficiary (or beneficiaries) will be entitled to all the funds in the employee's account.
5. The TSP vesting requirement does **not** apply to:
  - Employee Contributions and associated earnings in an employee's account; or
  - Agency Matching Contributions and associated earnings in a FERS employee's account; or
  - the first conversion deposit in a FERS employee's account and associated earnings.

Employees are entitled to receive all of these types of contributions in their accounts after they separate from Federal service, no matter how few years of Federal service they have completed.

### B. TSP-Vesting Code

The TSP-Vesting Code corresponds to the number of years employees must serve to be vested in, or entitled to, the Agency Automatic (1%) Contributions and associated earnings in their accounts.

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<sup>1</sup> Some judges who currently are participating in the TSP under CSRS rules may have been FERS employees previously and thus are subject to the TSP vesting requirement.

1. The TSP-Vesting Code is “2” for FERS employees in any of the following positions:
  - a. Noncareer Senior Executive Service positions (as defined in 5 U.S.C. § 3132(a)(7)).
  - b. Executive Level positions which are listed in 5 U.S.C. §§ 5312, 5313, 5314, 5315, 5316, or are placed in the Executive Schedule under 5 U.S.C. § 5317.
  - c. Schedule C positions, which are excepted from the competitive service by the Office of Personnel Management because of the confidential and policy-determining character of the positions.
  - d. FERS employees who are Members of Congress or Congressional employees.
2. The TSP-Vesting Code is “3” for all other FERS employees.
3. The TSP-Vesting Code for CSRS employees should be left blank (because they have no vesting requirement). The TSP-Vesting Code “0” is acceptable.

## **V. TSP-Service Computation Date**

### **A. Use of the TSP-SCD**

The TSP-SCD is used to determine if FERS employees are vested in the Agency Automatic (1%) Contributions and associated earnings in their TSP accounts.

1. When a FERS employee separates, the TSP system uses the TSP-SCD, in conjunction with the TSP-Vesting Code and TSP-Separation Code and Date, to determine if the Agency Automatic (1%) Contributions and associated earnings belong to the employee or if they should be forfeited to the TSP.
2. When a FERS employee applies for a loan, the employee’s vested account balance is one of the tests to determine the amount of money the employee can borrow. Although employees may borrow only the Employee Contributions and associated earnings in their accounts, the Internal Revenue Service also imposes a limit on the amount that employees may borrow based on their vested account balance, as explained in the TSP loan booklet. The TSP-SCD is used in this determination. Consequently, it is important that the TSP-SCD be correct throughout the Federal employment of FERS employees.

### **B. Requirement for FERS employees**

All FERS employees must have a TSP-SCD. The Employee Data Records (01-Records) which agencies submit to NFC for FERS employees must contain this data element.

(Conversely, no CSRS employee needs a TSP-SCD. The TSP-SCD on Employee Data Records (01-Records) which agencies submit to NFC for CSRS employees should be left blank. However, a TSP-SCD of 00/00/00 is acceptable.)

C. Service that must be included in the TSP-SCD

1. Civilian service

- a. **All** civilian service counts toward meeting the TSP vesting requirement so **all** civilian service must be reflected in the TSP-SCD.
- b. Civilian service includes all of the following:
  - (1) service for which FERS contributions have been made whether or not an employee has received a refund of these contributions;
  - (2) service for which CSRS contributions have been made whether or not an employee has received a refund of these contributions; and
  - (3) civilian service for which no retirement contributions have been made but which would be potentially creditable for FERS **or** CSRS retirement purposes.
    - For example, service performed under an appointment limited to 1 year or less counts for TSP vesting even though the service may not be creditable for FERS retirement purposes. It counts for TSP vesting because it is potentially creditable under 5 U.S.C. § 8332 (CSRS retirement law).
    - Conversely, nonappropriated fund (NAF) service that is not covered by FERS or CSRS generally does **not** count for TSP vesting purposes because, generally, it is **not** creditable under either 5 U.S.C. § 8411 (FERS retirement law) or 5 U.S.C. § 8332. (If, however, the NAF service is creditable under either FERS or CSRS retirement law, it is civilian service for TSP vesting purposes.)

The TSP regulations define this type of civilian service as any non-military service which is creditable under **either** 5 U.S.C. § 8411 **or** 5 U.S.C. § 8332 without regard to any time limitations, any deposit or redeposit requirements contained in those statutory provisions, any requirement that the individual become subject to either of those statutory provisions after performing the service involved, or any requirement that the individual give notice of his or her desire to become subject to the retirement system established by either 5 U.S.C. Chapter 83 or Chapter 84.

2. Certain military service

a. The Uniformed Services Employment and Reemployment Rights Act of 1994, as amended (USERRA), clarifies the treatment of military service that is performed by an employee who meets the following conditions:

(1) separates or enters nonpay status to perform military service; and

(2) is subsequently restored or reemployed in the civilian service under the provisions of 38 U.S.C. Chapter 43.

b. Upon restoration or reemployment, the employee is to be credited for TSP vesting purposes with a period of civilian service equal to the period of the absence that resulted from the performance of military service.

c. Consequently, all such military service must be included in the TSP-SCD.

D. Determining the TSP-SCD

1. New hires

The TSP-SCD for new FERS employees who have had no prior civilian service is the date of their appointment.

2. Rehires

The TSP-SCD for FERS employees who have had prior civilian service must be determined by adjusting their latest date of appointment by the amount of prior civilian service.

a. This adjustment, or the computation of the TSP-SCD, is done the same way as the computation of the SCD for leave purposes.

For example, when computing any type of SCD, intermittent service is counted using the actual days in pay status. Part-time and full-time service is counted from the date of appointment through the date of separation.

The difference between the TSP-SCD and the leave SCD is the type of service that is included in the computation. For example, military service (other than that which is creditable under USERRA as explained above) is **not** included in the TSP-SCD, but in many cases may be included in the SCD for leave purposes.

b. Also, the TSP-SCD can be no earlier than January 1, 1984. If the computation results in a date earlier than January 1, 1984, the agency must report the TSP-SCD as January 1, 1984.

- c. The TSP-SCD established upon rehire must be verified when the personnel office receives the FERS employee's Official Personnel Folder (OPF).

If the TSP-SCD is incorrect, the agency must correct it in the agency system and submit an Employee Data Record (01-Records) to NFC containing the correct date.

3. Transfers

When a FERS employee transfers from one Federal agency to another or changes agency payroll offices, the gaining agency must obtain the TSP-SCD (and other employee data) from the losing agency. (SF-75, Request for Preliminary Employment Data, or Form TSP-19, Transfer of Information Between Agencies, can be used for this purpose; see TSP Bulletin 96-34, dated November 6, 1996.)

Upon receipt of the OPF, the gaining agency must verify the TSP-SCD and correct it, if necessary.

4. Adjustments for excess nonpay

The TSP-SCD should be adjusted if the FERS employee is in a nonpay status in excess of 6 months in a calendar year, just as the leave SCD is adjusted for excess nonpay.

However, FERS employees receiving benefits from the Office of Workers' Compensation Programs and FERS employees who have performed military service creditable under USERRA should receive credit for the entire period in nonpay status, just as they receive this credit for their leave SCD.

5. Verifying the TSP-SCD at separation

When a FERS employee separates from Federal service, the agency must check the TSP-SCD to ensure that the correct TSP-SCD has been submitted by the payroll office to NFC. If the TSP-SCD is incorrect, the agency must submit an Employee Data Record (01-Record) to correct it.

6. The Appendix to this bulletin contains examples of TSP-SCD determinations.

## **VI. Forfeiture of Agency Automatic (1%) Contributions and Associated Earnings**

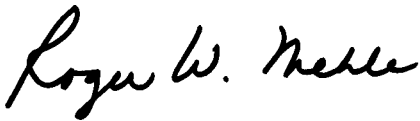
### **A. Upon separation**

1. When a TSP employee separates from Federal service, the agency must notify NFC by submitting an Employee Data Record (01-Record) containing the employee's TSP-Separation Code and the TSP-Separation Date.
2. If the employee is FERS, the TSP System subtracts the employee's TSP-SCD from the TSP-Separation Date and compares this result to the TSP-Vesting Code.

3. If the subtraction results in less service than that required for vesting (as indicated by the TSP-Vesting Code), the Agency Automatic (1%) Contributions and associated earnings are removed from the employee's account and forfeited to the TSP.
  - For example, Bob was given a career conditional appointment on March 27, 1992, and covered by FERS. Accordingly, Bob's TSP-Vesting Code is "3" and his TSP-SCD is March 27, 1992. Bob separates from Federal service March 11, 1995.
  - Subtracting March 27, 1992 (his TSP-SCD) from March 12, 1995 (his TSP-Separation Date, plus one) shows that Bob has less than 3 years of Federal civilian service. Consequently, Bob is not vested and the Agency Automatic (1%) Contributions and associated earnings in his account are forfeited to the TSP.

B. Restoring forfeitures that resulted from submission of incorrect data

If incorrect employee data resulted in a forfeiture (e.g., the TSP-SCD did not include all civilian service or the TSP-Vesting Code did not correspond to the employee's type of appointment), the employee is entitled to have the forfeited funds restored (i.e., returned to his or her account). To request restoration, the agency must take the actions explained in TSP Bulletin 95-18.



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Attachments: Appendix — Determining TSP-Service Computation Dates  
Final Rule — Thrift Savings Plan Vesting



## Determining TSP-Service Computation Dates

The computation rules to determine the TSP-SCD are the same as the computation rules used to determine other Federal service computation dates. Dates are transposed to year/month/day. One day is added to the separation date when subtracting (to ensure the employee gets credit for the full day of service). If days must be borrowed from a month, 30 days are always borrowed. If months must be borrowed from a year, 12 months are borrowed. The following are examples of TSP-SCD computations.

1. Sara was first appointed to Federal service on September 25, 1989, and covered by FERS. She resigned on June 30, 1990. She was reinstated on October 31, 1990, and again covered by FERS.

Sara's TSP-SCD is January 25, 1990. It is determined by adjusting her latest date of appointment by all prior civilian service:

***Compute amount of prior service:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Date Separated:	90 <sup>89</sup>	<del>8</del> <sup>18</sup>	30 <sup>(+1)</sup>
Date Hired:	89	9	25
Amount of Prior Service:	0	9	6

***Subtract from latest date of appointment:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Date Rehired:	90	10	31
	0	9	6
TSP-SCD:	90	1	25

2. Ben was first appointed to Federal service on September 25, 1989, on an appointment not to exceed one year. He was covered by FICA only. On September 24, 1990, he was converted to a permanent position and covered by FERS.

Ben's TSP-SCD is September 25, 1989; it includes all Federal civilian service.

3. Beth was first appointed to Federal service on July 10, 1988, and covered by FERS. She resigned on February 9, 1991. She was reinstated March 10, 1991, and again covered by FERS.

Beth's TSP-SCD is August 10, 1988. It is determined by adjusting her latest date of appointment by all prior civilian service:

***Compute amount of prior service:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Date Separated:	<del>91</del> <sup>90</sup>	<del>2</del> <sup>14</sup>	9 <sup>(+1)</sup>
Date Hired:	88	7	10
Amount of Prior Service:	2	7	0

***Subtract from latest date of appointment:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Date Rehired:	<del>91</del> <sup>90</sup>	<del>3</del> <sup>15</sup>	10
	2	7	0
TSP-SCD:	88	8	10

4. Katie was first appointed to Federal service on December 31, 1989, on an appointment not to exceed one year. She was converted to a permanent appointment on June 30, 1990, and covered by FERS. She went on leave without pay July 30, 1990, and returned to duty May 15, 1991.

Katie's TSP-SCD is December 31, 1989. It includes all Federal civilian service; it is not adjusted upon her return to duty because she had no excess leave without pay.

5. Jean was first appointed to Federal civilian service on October 1, 1992. She had prior military service from June 7, 1970, to March 5, 1992.

Jean's TSP-SCD is October 1, 1992. This military service does not count for TSP vesting purposes.

6. Mark was first appointed to Federal service on July 14, 1984, and resigned on April 6, 1987. On March 22, 1992, he was given an appointment not to exceed one year and covered by FICA only. He was converted to a permanent position October 5, 1992, and covered by FERS.

Mark's TSP-SCD is June 29, 1989. It is determined by adjusting his latest date of appointment by all prior civilian service:

***Compute amount of prior service:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Date Separated:	<del>87</del> 86	<del>4</del> <sup>16</sup> 15	<del>6</del> <sup>(41)</sup> 37
Date Hired:	84	7	14
Amount of Prior Service:	<hr/> 2	<hr/> 8	<hr/> 23

***Subtract from latest date of appointment:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Date Rehired:	<del>92</del> 91	<del>3</del> <sup>15</sup> 14	<del>22</del> 52
TSP-SCD:	<hr/> 2	<hr/> 8	<hr/> 23
	89	6	29

7. Jonathan was first appointed to Federal service on July 14, 1974, and resigned September 25, 1985. He was reinstated on May 6, 1993, and transferred to FERS on July 11, 1993.

Jonathan's TSP-SCD is January 1, 1984. Adjusting his latest date of appointment by the amount of his prior service would result in a constructed date earlier than January 1, 1984, but the TSP-SCD cannot be earlier than January 1, 1984.

8. Charles was first appointed to Federal service on May 18, 1991, and covered by FERS. His TSP-SCD was established as May 18, 1991. Charles was placed on leave without pay March 23, 1992, and returned to duty November 30, 1992.

Charles' TSP-SCD is now July 25, 1991; his earlier date had to be adjusted to reflect his excess leave without pay.

***Determine excess leave without pay:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Date Returned to Duty:	92	11	30
Date Began Leave Without Pay:	92	3	23
Period of Leave Without Pay:	0	8	7
<i>(Subtract 6 months)</i>		6	0
Amount of Excess Leave Without Pay:	0	2	7

***Add the excess leave without pay to his previously established TSP-SCD:***

	<b>Year</b>	<b>Month</b>	<b>Day</b>
Previous TSP-SCD:	91	5	18
	0	2	7
New TSP-SCD:	91	7	25

9. Joe was first appointed to Federal service on March 31, 1992. He separated from civilian service to perform active duty military service January 3, 1993. After his discharge, he was reemployed in civilian service pursuant to 38 U.S.C. Chapter 43 on October 5, 1994.

Joe's TSP-SCD is March 31, 1992. It includes his military service because this type of military service is counted for TSP vesting purposes.