



# Thrift Savings Plan BULLETIN

for Agency TSP Representatives

**Subject:** Effect of Transferring to Position Covered By A Retirement System Under Which Thrift Savings Plan Participation Is Not Authorized

**Date:** April 26, 2000

The Federal Employees' Retirement System Act of 1984 (FERSA), which authorized the Thrift Savings Plan (TSP), has been amended to allow employees who transfer to positions covered by retirement systems under which TSP participation is **not** authorized to withdraw their TSP accounts. This bulletin explains the statutory change and the action agencies must take to implement this change.

## I. Background

To participate in the TSP, employees must be covered by the Federal Employees' Retirement System (FERS), the Civil Service Retirement System (CSRS), or an equivalent retirement system under which participation has been authorized by law. Consequently, if an employee transfers to a position which is **not** covered by FERS, CSRS, or an equivalent retirement system under which TSP participation is authorized, the employee is no longer eligible to make or receive TSP contributions or to borrow funds from his or her TSP account.

Although most employees continue to be covered by FERS, CSRS, or an equivalent retirement system when they transfer from one Government position to another Government position, this is not always the case. For example, if an employee transfers to the Board of Governors of the Federal Reserve System into a position covered by its retirement system, the employee is no longer eligible to participate in the TSP; if an employee transfers to the U.S. Tax Court into a position of judge, the employee is no longer eligible to participate in the TSP. Even though such employees are unable to participate in the TSP, FERSA formerly prohibited them from withdrawing their TSP accounts because they had not separated from "Government employment."

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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 9, Withdrawal Program.

## II. Statutory Change to the TSP

Public Law 106-168, enacted December 12, 1999, contains a provision which specifies that, for TSP purposes, an employee who transfers from a position covered by a retirement system under which TSP participation is authorized (e.g., FERS or CSRS) to a position covered by a retirement system under which TSP participation is **not** authorized (e.g., the Federal Reserve System's retirement plan) be treated as if he or she had separated from Government employment.

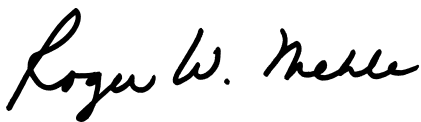
Consequently, such employees may now withdraw their vested TSP account balances after they transfer to positions in which they can no longer participate in the TSP. If they do not meet the TSP vesting requirement when they transfer, the Agency Automatic (1%) Contributions and attributable earnings in their accounts (if applicable) will be forfeited to the TSP and used to offset administrative expenses.

## III. Agency Action

When an employee transfers to another Federal agency or payroll office, the losing agency must submit an Employee Data Record (01-Record) to the TSP record keeper, the National Finance Center, containing the employee's Separation Code and Separation Date.<sup>1</sup>

Generally, the losing agency will report a Separation Code of "T" (transferred) on the Employee Data Record. However, effective immediately, if an employee transfers to a position under which TSP participation is **not** authorized, the losing agency should report a Separation Code of "S" (separated).

If the losing agency submits a Separation Code of "T," the gaining agency may submit an Employee Data Record to correct the Separation Code to "S." Alternatively, the gaining agency or the employee may ask the losing agency to correct its earlier submission by submitting another Employee Data Record with a Separation Code of "S." If the employee asks the losing agency to correct its earlier submission, the losing agency must verify with the gaining agency that the employee is indeed serving in a position covered by a retirement plan under which TSP participation is **not** authorized.



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Executive Director

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<sup>1</sup> When the new TSP record keeping system is implemented, the Employee Data Record, now an 01-Record, will be changed to an 06-Record, and the data elements, now called "Separation Code" and "Separation Date," will be called "Employment Code" and "Employment Code Date." See TSP Bulletin 00-6, Processing Agency Submissions in the New Record Keeping System, dated March 30, 2000, for more information on the changes to agency submissions.