



# Thrift Savings Plan BULLETIN for Agency TSP Representatives

**Subject:** Thrift Savings Plan Enhancement Act of 2009 — New Benefit for Spouse Beneficiaries of Thrift Savings Plan Accounts

**Date:** February 2, 2011

The Thrift Savings Plan Enhancement Act of 2009, signed June 22, 2009, provides a new benefit for spouse beneficiaries of deceased Thrift Savings Plan (TSP) participants — the automatic deposit of the spouse death benefit into a TSP Beneficiary Participant Account (BPA) established in the name of the spouse beneficiary. Beginning December 20, 2010, the TSP formally launched BPAs for surviving spouses who are entitled to receive all or a part of a deceased participant's TSP account. The TSP also notified the 2,626 spouses who had asked to keep the portion of their TSP death benefit in the TSP until this feature was implemented that their accounts had been established.

Two new booklets have been developed for BPA participants — *Your TSP Account: A Guide for Beneficiary Participants* and *Managing Your Account for Beneficiary Participants*. These booklets describe the BPAs and should be used for reference. In addition, there is a new withdrawal form (TSP-90) and a required minimum distribution (RMD) tax notice specifically designed for our beneficiary participants. The *Managing* booklet and Form TSP-90 are included in the Welcome Letter which is sent to each spouse beneficiary at the time his or her account is established. They are also available on the TSP website.

Beneficiary participants enjoy basically the same investment and withdrawal options afforded separated TSP participants. This includes the option to leave the account balance in the TSP.

When the TSP establishes a BPA, the account balance will be invested solely in the Government Securities Investment (G) Fund. Once the account is established, the beneficiary participant can request interfund transfers to redistribute his or her account balance among any of the lifecycle (L) or individual funds, just like a regular participant.

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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.

Beneficiary participants can request a partial withdrawal or a full withdrawal (a single payment, monthly payments, a TSP life annuity, or a combination of any of these three options). If the BPA contains tax-exempt money from pay that was originally earned in a combat zone (that is, the deceased participant was a uniformed services member), beneficiary participants will never pay tax on that money, even after they withdraw it. However, they will pay income taxes on any earnings on that money when it is withdrawn. All withdrawal options (including the partial withdrawal option) for beneficiary participants must be submitted on Form TSP-90, Withdrawal Request for Beneficiary Participants (see attachment). We strongly recommend that beneficiary participants discuss all available options with their tax or financial advisors or IRA providers before making withdrawal decisions. Also be aware that payments from BPAs will be reported as death benefit payments on Form 1099-R.

There is one exception to the general rule. By law, beneficiary participants do not have the option to transfer or roll over funds from IRAs or other retirement plans into their BPAs. However, if the beneficiary participant has an existing TSP account based on his or her own employment with the Federal Government or the uniformed services, he or she may transfer the BPA into his or her existing TSP account. Note that tax-exempt money in the BPA cannot be transferred into a civilian TSP account.

Beneficiary participants are required to begin receiving annual distributions from their BPAs according to the Internal Revenue Code (IRC) required minimum distribution (RMD) rules. The date on which beneficiary participants must begin receiving RMDs depends on whether the deceased participant died before or on/after his or her “required beginning date.” (See Attachment: “Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants.”)

In the event of the death of a beneficiary participant, the funds in the BPA cannot remain in the TSP. The account will be distributed directly to the beneficiary(ies) indicated on the Form TSP-3, Designation of Beneficiary, or, if no Form TSP-3 is on file, then according to the order of precedence as described in the booklet, *Your TSP Account: A Guide for Beneficiary Participants*. Death benefit payments made from a BPA must be paid directly to beneficiary(ies). These payments are subject to certain tax restrictions and cannot be transferred or rolled over into an IRA or eligible employer plan. In addition, these payments will be fully taxable in the year the beneficiary(ies) receives them. Any payments from tax-exempt money are not subject to taxes when distributed. However, the earnings on the tax-exempt money are taxable. (See Attachment: “Important Tax Information About Thrift Savings Plan Death Benefit Payments.”) The TSP is revising Form TSP-17 to consolidate the TSP-U-17 and include information for beneficiaries of a BPA to submit upon the death of a BPA holder.

This bulletin only applies to spouse beneficiaries. Bulletin 06-8, “Pension Protection Act of 2006 — New Benefit for Non-Spouse Beneficiaries of Thrift Savings Plan Accounts” addresses all other beneficiaries. We have added information about the new Beneficiary Participant Accounts to the TSP website, [www.tsp.gov](http://www.tsp.gov).

Agency/service responsibilities: Many agencies and services provide assistance to spouse beneficiaries of deceased TSP participants. You should provide the booklets and the tax notice to these beneficiaries, and you may also refer them to the TSP website. The TSP will also send the tax notice and appropriate payment election form to the beneficiaries when we notify them that the TSP has established the Beneficiary Participant Account.



PAMELA-JEANNE MORAN  
Director  
Office of Participant Services

Attachments: [Booklet: \*Managing Your Account for Beneficiary Participants\*](#)  
[Booklet: \*Your TSP Account: A Guide for Beneficiary Participants\*](#)  
[Tax Notice: Important Information about Thrift Savings Plan Death  
Benefit Payments](#)  
[Tax Notice: Tax Information About TSP Withdrawals and Required  
Minimum Distributions for Beneficiary Participants](#)  
[Form: Form TSP-90, Withdrawal Request for Beneficiary Participants](#)  
[Form: Form TSP-3, Designation of Beneficiary](#)  
[Notice: Welcome Letter](#)



# Thrift Savings Plan

P.O. Box 385021  
Birmingham, AL 35238

10/22/2010

**RE: Estate of**

Dear Beneficiary Participant:

Welcome to the Thrift Savings Plan (TSP). The TSP has determined that you are the spouse beneficiary of the deceased participant named above. Your death benefit has been deposited into a TSP account in your name. As of 10/06/2010, the account balance was \$0.00. Please verify that the personal information below is correct. If there are any errors, contact the TSP immediately at 1-877-968-3778 to correct them.

Your SSN:

Your Spouse's Date of Birth:

Your Date of Birth:

Your Spouse's Date of Death:

**Your TSP account number is:**

**Your Account Type: Beneficiary Participant**

Your account balance is currently invested solely in the Government Securities Investment (G) Fund, a stable investment that has no risk of loss. It will remain there until you make an investment choice. The TSP offers many investment options:

- **Lifecycle (L) Funds** — You choose a lifecycle fund based on the year you expect you will need the money from this account. Each of the L Funds is comprised of a professionally determined mix of the TSP's individual stock, bond, and Government securities funds. The L Funds are rebalanced automatically and become more conservative as you get closer to the time when you will need to withdraw your money.
- **Individual TSP Funds** — You can choose among or combine any of the TSP's stock, bond, or Government securities funds to create your own investment mix.

You can learn more about your investment options and how to make an interfund transfer to redistribute the money in your account among the TSP funds, by reading the enclosed booklet *Managing Your Account: Beneficiary Participants*. You can also visit the TSP website at [www.tsp.gov](http://www.tsp.gov).

In addition to having access to all of the TSP investment fund options, you will:

- Benefit from the TSP's very low administrative expenses.
- Have access to several withdrawal options, whether you need the money now or in the future.

Website: [www.tsp.gov](http://www.tsp.gov)

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)  
Fax number: 1-866-817-5023

TDD: 1-TSP-THRIFT5 (1-877-847-4385)

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- Be able to designate a beneficiary or beneficiaries by completing the enclosed Form TSP-3, Designation of Beneficiary. Whether or not you designate a beneficiary, be aware that the Internal Revenue Code requires the TSP to pay future beneficiaries of your account directly, which means that the payment is fully taxable in the year it is paid; these taxes cannot be deferred.
- Be able to monitor the activity in your TSP account online, by phone, or on quarterly and annual participant statements.

For security reasons, your TSP account number is used as your primary identification for the TSP. We may ask you for your Social Security number as additional protection when you call the TSP. We have mailed you an 8-character Web password that you can use to access your account on the TSP website. You can create a custom user ID to access your account online instead of using your account number. In a separate mailing, you will receive a Personal Identification Number (PIN) so you can access your account through the ThriftLine (the TSP's automated telephone service). Your Web password and ThriftLine PIN can also be customized after you receive them. If you do not receive your password or PIN within 10 days, please contact the TSP.

You will be able to access your quarterly and annual participant statements on the TSP website. Only your first quarterly statement will be mailed to you. If you wish to receive subsequent quarterly statements by mail, you must make a request on the TSP website or the ThriftLine. You will receive your annual statement in the mail in February of each new year. If you do not want to receive it by mail, you can use the TSP website or call the ThriftLine to opt out of mailed annual statements. We encourage you to carefully review every statement.

You have the option to remain in the TSP or to close this account at any time by making a full withdrawal. You should consider your options carefully before making any decisions. You may also want to discuss these options with your tax advisor or estate planner.

When you are ready to make either a partial or full withdrawal (consisting of any combination of a single payment, monthly payments, or an annuity), you can do so by using the enclosed Form TSP-90. Please carefully read the instructions and information in the form.

If you decide that you do not want to take advantage of this beneficiary participant account because you want to disclaim (renounce your right to) the death benefit payment, you must complete a TSP disclaimer form within 30 days from the date of this letter. Please contact the TSP at 1-877-968-3778 to request the disclaimer form. By disclaiming this death benefit payment, you are authorizing the TSP to distribute it to the beneficiary next in line in accordance with the statutory order of precedence. Please note that a disclaimer is irrevocable and cannot be rescinded.

If you have questions, call the toll-free ThriftLine at 1-877-968-3778. Callers outside the United States and Canada should call 404-233-4400 (not a toll-free number). The TSP's hours are Monday through Friday, 7 a.m. to 9 p.m., Eastern time. You can also write to the TSP. Please include your daytime telephone number and TSP account number on all correspondence so that we can identify your account.

Enclosures