



# Thrift Savings Plan BULLETIN

for Agency TSP Representatives

**Subject:** Thrift Savings Plan Participation of Individuals Who Are Reemployed Following Transfers to International Organizations

**Date:** May 9, 2000

Employees who transfer to international organizations cannot participate in the Thrift Savings Plan (TSP) while they are employed by the international organization. This is true even if the employee continues to make contributions to the Federal Employees' Retirement System (FERS), the Foreign Service Pension System (FSPS), the Civil Service Retirement System (CSRS), or the Foreign Service Retirement and Disability System (FSRDS), as authorized by 5 U.S.C. § 3582.

However, Public Law 106-113, enacted November 29, 1999, gives certain employees who transfer to international organizations the opportunity to make up missed TSP contributions after they are reemployed in the Federal service. This bulletin discusses this opportunity and the actions that agencies must take to implement the new law.

## I. Eligibility

Upon reemployment, employees are immediately eligible to participate in the TSP and to make up missed TSP Employee Contributions if they meet all of the following conditions:

- They transferred from a position covered by FERS, FSPS, CSRS, or FSRDS to a position with an international organization pursuant to 5 U.S.C. § 3582;
- They elected to retain FERS, FSPS, CSRS, or FSRDS coverage while employed by the international organization and they have made all deposits required for such coverage;
- They are reemployed to a position covered by FERS, FSPS, CSRS, or FSRDS pursuant to 5 U.S.C. § 3582(b); and
- The reemployment was effective on or after November 29, 1999.

*(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 3, Eligibility, or Chapter 6, Establishing and Maintaining Accounts.

Upon reemployment to positions covered by FERS or FSPS, employees who meet the above conditions must begin receiving Agency Automatic (1%) Contributions. However, these employees are **not** eligible to receive **missed** Agency Automatic (1%) Contributions (and Agency Matching Contributions) **unless** they make up missed Employee Contributions.

## II. Agency Actions

- A. Give eligible employees the opportunity to make a current TSP contribution election.

Upon reemployment, the agency must allow an eligible employee 30 days to make a TSP contribution election. If the employee elects to make contributions, the agency must make the election effective no later than the beginning of the first full pay period after it is received.

Until the new record keeping system is implemented on October 1, 2000, an employee's election must specify both the amount and fund allocation of the contributions. On or after October 1, 2000, an employee's election will specify only the amount of the contributions.<sup>1</sup>

- B. Begin Agency Automatic (1%) Contributions for eligible employees covered by FERS or FSPS immediately upon reemployment (and begin Agency Matching Contributions for these employees when the Employee Contributions begin).
- C. Give eligible employees the opportunity to make up missed Employee Contributions.
1. Upon reemployment, the agency must also allow an eligible employee 30 days to determine if he or she wants to make up TSP contributions that were missed during the period of employment with the international organization.
  2. To determine the amount of makeup contributions, the agency must use the basic pay and TSP election(s), as explained below.
    - a. The employee's basic pay is the basic pay that the employee would have earned had he or she remained continuously employed in the position held immediately before the transfer to the international organization.
    - b. The TSP election is the election that the employee had on file when he or she transferred to the international organization.

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<sup>1</sup> See TSP Bulletin 00-6, Processing Agency Submissions in the New Record Keeping System, dated March 30, 2000, for more information about the changes that will occur upon implementation of the new system.

The employee may also make a retroactive election to terminate TSP contributions, and retroactive elections to change (or begin) TSP contributions for any open season that occurred during the period of employment with the international organization in which he or she would have otherwise been eligible to make a TSP election. The effective date of a retroactive election to begin or change contributions would be the first full pay period of the election period of the relevant open season.

**Example:**

An employee transferred to an international organization on June 28, 1998, and is reemployed on May 8, 2000. The employee meets all conditions specified in Section I and, consequently, is eligible to begin making TSP contributions immediately upon reemployment; he is also eligible to make up missed TSP contributions.

The employee makes a TSP election during the 30-day period following reemployment; the election is effective May 21, 2000, and current contributions begin accordingly. If the employee had an election on file on June 27, 1998, that election must be used to determine the amount of makeup contributions for the period June 28, 1998, through May 20, 2000, unless the employee makes retroactive elections. The employee may make a retroactive election (or elections) to change the amount of his or her contributions effective the first full pay period in July 1998, in January 1999, in July 1999, and/or in January 2000; the employee may also make a retroactive election to terminate contributions effective the beginning of any pay period that occurred during the period he or she had been employed with the international organization.

3. Pursuant to the Federal Retirement Thrift Investment Board's error correction regulations at 5 C.F.R. § 1605.2(c), employee makeup contributions must be deducted from future pay, and a schedule must be established to have them deducted from a certain number of future paychecks. Although the makeup contributions are tax-deferred the year in which they are actually made, they are subject to the Internal Revenue Service elective deferral limit for the year in which they would have been made had the employee remained in Federal service.
- D. Make up missed agency contributions for FERS or FSPS employees if the employees make up missed Employee Contributions.
1. FERS or FSPS employees are entitled to agency makeup contributions if they make up missed Employee Contributions. If, however, FERS or FSPS employees do **not** make up missed Employee Contributions, they are entitled to **neither** missed Agency Automatic (1%) Contributions **nor** missed Agency Matching Contributions.

Consequently, as employees make up missed Employee Contributions, agencies must make up the Agency Matching Contributions **and** the Agency Automatic (1%) Contributions that the employees would have received for the respective pay period(s).

2. FERS or FSPS employees are also entitled to lost earnings on agency makeup contributions (i.e., they are entitled to the investment gains or losses that they would have otherwise received had they remained in Federal service and agency contributions had been made each pay period). However, employees are **not** entitled to lost earnings or investment gains or losses on employee makeup contributions.

For purposes of determining lost earnings and, on or after October 1, 2000, for purposes of determining the investment of agency makeup contributions and the resulting breakage (as described in III.B below), the employee may elect:

- (a) the Government Securities Investment (G) Fund, **or**
- (b) the funds specified by his or her contribution allocation(s) in effect at the time the contributions would have otherwise been made.

Consequently, FERS or FSPS employees must make this additional election regarding their agency makeup contributions when they establish the schedule to make up their missed Employee Contributions. An employee must elect either option (a) or (b), and the election will apply to all agency makeup contributions due the employee for the period of employment with the international organization. That is, an employee cannot elect “G Fund” for a portion of the agency makeup contributions and “funds specified by the contribution allocation” for another portion of the agency makeup contributions.

E. Report the contributions to the TSP record keeper.

1. To report contributions made before October 1, 2000, agencies must use the current procedures and payment records, which require agencies to report the allocation of the contributions among the TSP investment funds. To determine the allocation, agencies must use the employee’s election that is in effect for the pay period in which the contributions are deducted from pay (i.e., the allocation on the current Form TSP-1).

In addition, agencies must submit Lost Earnings Records (51-Records) for the agency makeup contributions.

- (a) If, for purposes of determining lost earnings (as described in D.2 above), the employee elected G Fund, agencies must report “G Fund” as the investment fund on the Lost Earnings Records.
- (b) If the employee elected his or her contribution allocation in effect at the time the contributions would have been made, agencies must use

the appropriate Form(s) TSP-1 to determine the investment fund to be reported on the Lost Earnings Records.

2. To report contributions on or after October 1, 2000, agencies must use the procedures and payment records described in TSP Bulletin 00-6. As explained in that bulletin, agencies must submit a separate Current Payment Record (16-Record) to report the contributions for each pay date involved. The “as of” date on the records which report the makeup contributions must be the pay date that the contributions would have been made had the employee not transferred to the international organization.

In addition, if, as described in D.2 above, the employee elected the G Fund investment, agencies must use Form TSP-2-G, Certification of Transfer of Funds and Journal Voucher for Contributions Requiring G Fund Investment, to submit the payment records reporting **makeup** contributions. TSP Bulletin 00-6 alludes to Form TSP-2-G; a future bulletin will explain and transmit Form TSP-2-G.

If the employee elected an investment based upon his or her contribution allocation in effect at the time the contributions would have been made, agencies must use Form TSP-2, Certification of Transfer of Funds and Journal Voucher (which was transmitted by TSP Bulletin 00-6) to submit the payment records reporting makeup contributions.

Regardless of the employee’s election for the investment of agency makeup contributions, agencies must use Form TSP-2 to submit the payment records of all current contributions.

- F. Establish the TSP service computation date (TSP-SCD) upon the reemployment of a FERS or FSPS employee and include this date on the Employee Data Record that must be submitted to the TSP record keeper. The TSP-SCD must include the period during which the employee worked for the international organization.<sup>2</sup>
- G. Submit Form TSP-5-R, Request to Restore Forfeiture, to the TSP record keeper, if applicable.<sup>3</sup>

If the Agency Automatic (1%) Contributions and attributable earnings had been forfeited from the TSP account of a FERS or FSPS employee when he or she separated to accept employment with the international organization, the employee is entitled to have these funds restored upon reemployment (if the conditions described in Section I are met). If such a forfeiture occurred, the employee must notify his or her agency, and the agency must then submit Form TSP-5-R to the TSP record keeper.

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<sup>2</sup> See TSP Bulletin 97-30, dated August 19, 1997, for more information about vesting and the TSP-SCD.

<sup>3</sup> See TSP Bulletin 95-18, dated May 18, 1995, for more information about Form TSP-5-R. A future bulletin will transmit the revised Form TSP-5-R, which must be used beginning October 1, 2000.

### III. Investing Makeup Contributions

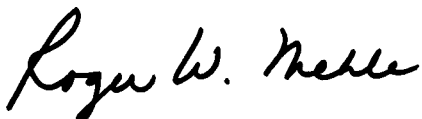
#### A. Employee makeup contributions

1. Employee makeup contributions reported before October 1, 2000, will be invested in accordance with the payment records.
2. Employee makeup contributions reported on or after October 1, 2000, will be invested according to the employee's contribution allocation in effect on the date that the contributions are posted to the employee's account.

#### B. Agency makeup contributions

1. Agency makeup contributions reported before October 1, 2000, will be invested in accordance with the payment records, and lost earnings will be determined in accordance with the Lost Earnings Records.
2. Agency makeup contributions reported on or after October 1, 2000, will be invested in the G Fund **if** the payment records are accompanied by the (special) Form TSP-2-G. The number of shares of the G Fund that will be purchased on the date that the contributions are posted will be determined using the G Fund share price on the "as of" date. If it costs more to purchase that number of shares on the posting date, the agency will be charged the additional amount (i.e., breakage).<sup>4</sup> If it costs less, the additional amount of the reported contributions will be forfeited to the TSP.

If the payment records are accompanied by the (routine) Form TSP-2, agency makeup contributions will be invested in accordance with the employee's contribution allocation in effect for the "as of" date reported on the payment records. The number of shares of the applicable investment fund that will be purchased on the date that the contributions are posted will be determined using that fund's share price on the "as of" date. If it costs more to purchase that number of shares on the posting date, the agency will be charged breakage. If it costs less, the additional amount of the reported contributions will be forfeited to the TSP.



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<sup>4</sup> See TSP Bulletin 00-6 for an explanation of breakage.