



Thrift Savings Plan BULLETIN for Agency TSP Representatives

Subject: Pending Legislation To Allow Employees to Contribute to the Thrift Savings Plan Immediately Upon Appointment

Date: April 24, 2000

H.R. 208, which passed the House of Representatives with bipartisan support, would allow employees to begin contributing to the Thrift Savings Plan (TSP) immediately upon appointment to a position covered by FERS or CSRS.¹ Under the provisions of the House-passed bill, FERS employees would not be eligible for agency contributions until they complete the waiting period currently required for eligibility to participate in the TSP. It is possible, however, that this bill will be modified to eliminate all waiting periods, including those that apply to agency contributions (as the Administration has proposed).

H.R. 208 would also allow the TSP to accept transfers from qualified trusts.

Although there is never any certainty that any bill will become law, the effective date of both provisions would be October 1, 2000. Section I of this bulletin alerts agencies to potential requirements that they may have to accommodate in a short time period. However, **until a law is passed, agencies should not implement any changes to their procedures or systems to address the requirements in Section I.**

The TSP will issue regulations and TSP bulletins with more specific information when (and if) the legislation is enacted. However, because of the potential for quick movement, we will also apprise you of any changes in the status of this bill via the TSP Web site.

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¹ FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement systems. CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement systems.

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

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

I. Immediate Partial Participation

A. Agency actions

If this bill is enacted as it is currently written, beginning October 1, 2000, agencies would be required to:

1. Give employees appointed or reappointed to a FERS or CSRS position the opportunity to make immediate TSP contribution elections to begin Employee Contributions; agencies would be required to process such elections promptly.
2. Give employees appointed to a FERS or CSRS position before October 1, 2000, but who had not yet become eligible to participate in the TSP by October 1, the opportunity to make immediate contribution elections to begin Employee Contributions; agencies would be required to process such elections promptly.
3. Begin agency contributions for employees appointed or reappointed to a FERS position as soon as the employees become eligible for the contributions.²

B. TSP actions

If this bill is enacted as it is currently written, we will:

1. Develop two new TSP status codes for agencies to use for FERS employees who make TSP contribution elections for Employee Contributions before they become eligible to receive agency contributions.
 - a. The status code of "W" (waiting to receive agency contributions) will identify FERS employees who are making Employee Contributions to the TSP but who are not yet eligible to receive agency contributions.
 - b. The status code of "S" (stopped making Employee Contributions before becoming eligible for agency contributions) will identify FERS employees who terminate their contributions before they become eligible to receive agency contributions.
2. Issue regulations and TSP bulletins to implement these provisions.

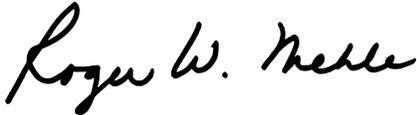
² If FERS employees are contributing when they become eligible for agency contributions, agencies must begin both Agency Automatic (1%) and Agency Matching Contributions; if the employees are not contributing, agencies must begin only Agency Automatic (1%) Contributions. If H.R. 208 is enacted as currently written, we will issue detailed instructions for determining when FERS employees will become eligible for agency contributions.

II. Rollovers Into the TSP

If this bill is enacted as it is currently written, beginning October 1, 2000, employees would be permitted to roll over into the TSP eligible rollover distributions from qualified trusts. The funds must be "pre-tax" and will be subject to income taxation when employees withdraw them from their TSP accounts.

We will develop a new form for employees to use to request such a rollover. Initially, the form will be available from the TSP Web site or the TSP Service Office. If demand warrants, we will expand distribution to the agencies. The form will include a certification, which must be signed by either a representative of the qualified trust or the employee, that the funds are eligible rollover distributions. Either the qualified trust or the employee may submit the funds to the TSP. The employee, however, must submit guaranteed funds.³

The TSP will not accept a rollover from an employee who does not have a TSP account. Consequently, new employees must wait until their agencies establish their TSP accounts to submit a rollover. Also, the TSP will not accept a rollover from a separated employee who has withdrawn his or her entire TSP account.



ROGER W. MEHLE
Executive Director

³ Guaranteed funds are certified checks, money orders, cashier's checks, or cashier's drafts or treasurer's checks from credit unions.