This Fact Sheet provides information to plan administrators (or trustees or custodians) about transferring money from the Thrift Savings Plan (TSP) to eligible retirement plans.

What is the TSP?
The TSP is a defined contribution, cash, or deferred arrangement (CODA), similar to CODAs described in § 401(k) of the Internal Revenue Code (IRC). The Federal Employees’ Retirement System Act of 1986, Public Law 99-335 (FERSA), established the TSP, which is administered by the Federal Retirement Thrift Investment Board (Agency), an independent federal agency. FERSA is codified primarily in chapter 84 of Title 5, United States Code (USC).

How is the TSP treated under the IRC?
IRC § 7701(j) states that the TSP is to be treated as a trust described in § 401(a) which is exempt from taxation under § 501(a). (See also 5 USC § 8440.) Thus, our “determination letter” is statutory in nature, and the TSP is a qualified trust. A plan administrator (or trustee or custodian) can complete the transfer of a TSP participant’s account based on the IRC’s description of the TSP.

Is the TSP subject to all of the rules applicable to a qualified trust?
No. The TSP is a government plan, as defined in § 414(d) of the IRC. Thus, it is not subject to the joint and survivor annuity rules found in sections 401(a)(11) and 417 of the IRC. Nor is the TSP subject to the “top heavy plan” provisions of § 416. (See IRC § 401(a)(10)(B)(iii).)

Who are the participants in the TSP?
Federal civilian employees participate in the TSP under either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS). 1 Members of the uniformed services 2 may also participate in the TSP either in the Blended Retirement System (BRS) 3 or as a supplement to their defined benefit plan.

How are contributions made to a participant’s TSP account?
Contributions are made by payroll deduction. Actively employed participants can elect to contribute to a traditional (non-Roth) balance and/or a Roth balance. They can contribute as much as they want up to the IRC limits. FERS and BRS participants are also eligible for agency/service contributions that are made to the traditional (non-Roth) balance.

Can there be any after-tax or nontaxable funds in a participant’s account?
Yes. Participants can contribute after-tax money to a Roth balance. Roth contributions are tax-free when distributed. The earnings on Roth contributions are distributed tax-free when the IRS requirements for a qualified distribution 4 have been met.

Members of the uniformed services may contribute tax-exempt pay (pay earned while serving in a combat zone) to their TSP accounts. Contributions from tax-exempt pay are exempt from federal income taxes when they are distributed. However, the earnings are taxable if they are a part of the traditional (non-Roth) balance or, if part of a Roth balance, they have not met the IRS requirements for a qualified distribution.

1 FERS refers to the Federal Employees Retirement System, the Foreign Service Pension System, and other equivalent government retirement plans. CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent government retirement plans.
2 These are: the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.
3 The Blended Retirement System (BRS) covers uniformed services members who began service on or after January 1, 2018, or who opted into the system.
4 Roth earnings become qualified when the following two conditions have been met:
1) 5 years have passed since January 1 of the calendar year in which the first Roth contribution was made, and
2) The participant has reached age 59½, has died, or has become permanently disabled.
How are payments made from a TSP account?
If a participant has a traditional (non-Roth) balance and a Roth balance, withdrawals are paid proportionally from each balance. Also be aware that the traditional (non-Roth) portion and Roth portion will be distributed and transferred separately.

Payments from accounts containing tax-exempt contributions will be made proportionally from taxable and nontaxable amounts. If an IRA or plan does not accept tax-exempt balances, the tax-exempt portion of an intended transfer will be paid directly to the participant.

Are any TSP distributions considered “eligible rollover distributions”?
Yes. The following TSP distributions are eligible rollover distributions:
- A single payment of part or all of an account after the participant separates from service
- All automatic cashouts (i.e., payouts of accounts that contain less than $200)
- Equal monthly payments expected to be paid out in less than 10 years (unless payments are computed using the IRS life expectancy table)
- A final single payment made after a series of equal payments
- Amounts paid to a participant after the complete withdrawal of a TSP account (e.g., a late contribution to a participant’s account)
- An age-based in-service withdrawal
- Death benefits paid to the spouse
- Death benefits paid to a nonspouse provided the nonspouse requests a transfer to an inherited IRA described in IRC § 402(c)(11)
- Amounts paid to a current or former spouse under a qualifying court order or legal process

Does the amount transferred include excess deferrals?
No. If a participant exceeds his or her § 402(g)(1) or § 415(c) annual limit, the excess amounts are distributed to the participant in the appropriate correction year.

Is any portion of the distribution attributable to an unpaid TSP loan?
No.

Does any portion of the distribution represent “P.S. 58 costs”?
No. “P.S. 58 costs” (the cost of life insurance) cannot be part of the distribution.

Are any amounts in a TSP account attributable to contributions on behalf of a “key employee”?
No. The TSP is a government plan, as defined in § 414(d) of the Code. IRC § 401(a)(10)(B)(iii) provides that a government plan is exempt from § 416 of the Code, which deals with “key employees.”

What is the “total” or “fair” market value of a TSP account?
The “total market value” or “fair market value” is the dollar amount of the distribution from the participant’s TSP account.

Where can I get more tax information about TSP distributions?
More information on the taxability of TSP distributions is available in the TSP tax notice Important Tax Information About Payments From Your TSP Account, which is available from the TSP website (tsp.gov).

An IRA is any individual retirement account that is not a SIMPLE IRA or a Coverdell Education Savings Account. Note: Any portion of a distribution from a participant’s traditional balance (other than tax-exempt contributions) that is transferred to a Roth IRA will be taxed in the current year.

An eligible employer plan includes a plan qualified under section 401(a) of the Internal Revenue Code, such as a section 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and a section 457(b) plan maintained by a governmental employer. An eligible retirement plan with respect to any portion of a distribution from a participant’s Roth balance includes only a Roth account maintained by an eligible employer plan or a Roth IRA.