

Impact of a Federal Government Shutdown on the Thrift Savings Plan

March 4, 2011

What would be the effect of a Government shutdown on the TSP?

A Federal Government shutdown would not affect the TSP. Neither the TSP nor the Federal Retirement Thrift Investment Board receives annual appropriations from the Congress. Since the TSP is not dependent on Congressional appropriations, a Government shutdown would not affect the TSP; the TSP would continue to operate “business as usual.”

Will my TSP investments be affected? What about disbursements?

Investment activity will continue. Share prices and account balances will continue to be updated each business day, and loans and withdrawals will continue to be disbursed.

What happens to my contributions?

Because you are not paid during a furlough, your TSP contributions will stop, and, if you are a FERS employee, you will not receive agency contributions during this time.

Can I take a TSP loan while I’m furloughed?

Yes. By law, a TSP participant may take a TSP loan any time before separation. 5 U.S.C. § 8433(g)(1). The TSP has adopted an administrative rule that provides that TSP participants must be in a pay status in order to take a TSP loan. 5 C.F.R. § 1655.2(b). The TSP adopted this rule because it generally requires TSP participants to agree to repay their loans through payroll deduction. 5 C.F.R. § 1655.12(b). The first

payment is due on or before the 60th day following the loan issue date. 5 C.F.R. § 1655.14(c).

Since shutdowns are rare occurrences and are typically of short duration, the TSP’s Executive Director has determined that it is in the best interest of TSP participants to interpret the requirement that participants be in a pay status to mean that a break in pay due to a Government shutdown does not disqualify one from TSP loan eligibility. A short-term break in pay status would still allow participants to commence payment by payroll deduction within the required 60 days of the loan issue date. If a shutdown were to extend beyond 60 days, participants would still be responsible for making loan payments (see next question).

What happens to my loan payments while I’m furloughed?

If you have an outstanding loan and you are furloughed, your loan payments will stop because they are deducted from your pay.

Loans are not considered in default until the participant has missed more than 2½ payments. If you miss a loan payment (or two) as a result of the furlough, you always have the option to make direct payments to the TSP using the Loan Payment Coupon available in the Forms & Publications section on the TSP website. Otherwise, your loan term will be extended or, if you have requested the maximum loan term, you may have a balloon payment at the end of the loan term. If you miss more than 2½ payments, we will notify you by mail that you must mail in a personal check for the “cure” amount to get your loan back on track.

Does my agency have to send in a Form TSP-41 notifying the TSP that I have been furloughed?

Your agency should not send a Form TSP-41 to the TSP during a Federal Government shutdown. A shutdown is a rare occurrence and is typically of short duration. The Form TSP-41 is intended for participants who are being placed on extended leave without pay, e.g., due to illness, military furlough, maternity leave, etc.

It is not practical for the agencies to complete and submit Forms TSP-41 for all of their furloughed employees who have TSP loans (both at the beginning of the furlough and at the end), and it is not practical for the TSP to process these forms.

Can the Government take money from the TSP to resolve the financial situation?

No, the money in the TSP is held in trust for its participants. Neither Congress nor the Administration can take money from your TSP account.