

For: FFAS Employees

Thrift Savings Plan (TSP) Automatic Enrollment

Approved by: Deputy Administrator, Management



1 Overview

A Background

The Thrift Savings Plan Enhancement Act of 2009 (Pub. L. 111-31) was signed into law on June 22, 2009, and the Thrift Savings Plan Bulletin No. 10-3 authorizes a number of changes to TSP. The provision permitting immediate eligibility for agency contributions for employees covered by FERS (and its equivalent retirement systems) was implemented in July 2009. The next program feature to be introduced as part of this legislation is automatic enrollment in TSP.

B Purpose

This notice:

- provides interim policy guidance about automatic enrollment in TSP for all FFAS employees **newly hired or rehired** under FERS and CSRS
- obsoletes Notice PM-2766 to replace Exhibits 1 and 2 with the most current TSP example letters.

C Eligibility

Federal agencies must automatically enroll FERS and CSRS employees hired or rehired **effective August 1, 2010**, (pay period 16) or as soon as administratively feasible thereafter. Employees who do not wish to make automatic contributions will have the option to immediately terminate their automatic enrollment within the first pay period of hire or rehire subject to the agency payroll processing window.

Disposal Date	Distribution
December 1, 2010	All FAS, FSA, and RMA Employees; State Offices relay to County Offices

Notice PM-2769

1 Overview (Continued)

C Eligibility (Continued)

Employees who are on the agency rolls **before** the program's implementation and who are **not** contributing to TSP **will not** be automatically enrolled. They will retain their existing TSP eligibility until they elect to contribute to TSP or are separated from service. In addition, employees who are **rehired without** a break in service, for TSP purposes, will retain their prior TSP eligibility.

2 Responsibilities

A Agency Responsibilities to Implement Automatic Enrollment

Beginning the first full pay period in **August 2010**, NFC will begin automatic enrollment for all newly hired and rehired FERS and CSRS employees with a break in service. Servicing Human Resources Office will:

- inform new employees of their automatic enrollment in TSP, explain the benefits of participating in the plan, and notify employees that they may change the amount or percentage of their contributions or terminate their contributions at any time

Note: See Exhibits 1 and 2 for examples of the Letter for FERS New Hire/Rehire and the Letter for CSRS Rehires/Transfers, which will be provided to all employees automatically enrolled in TSP.

- allow those employees who do not wish to make automatic contributions to immediately terminate their automatic enrollment within the first pay period of hire or rehire, subject to the agency payroll processing window
- deduct 3 percent of the employee's basic pay and submit it to TSP if the employees do not make an alternate contribution election.

B Employee Responsibilities Under the Automatic Enrollment Program

As long as employees are satisfied with their coverage under the automatic enrollment program, they do not have to take any action. If they want to change their contribution amounts or percentages, or if they want to terminate their contributions to TSP, they must submit their contribution elections to their servicing Human Resources Office using the Employee Personal Page or TSP-1, as appropriate.

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2 Responsibilities (Continued)

B Employee Responsibilities Under the Automatic Enrollment Program (Continued)

Employees who are automatically enrolled in TSP may request a refund of the contributions deducted from their basic pay, including associated earnings. The refund will only apply to those contributions associated with the first 90 calendar days of automatic enrollment. The participant must submit TSP-25 directly to TSP, and it must be received no later than the refund deadline date provided in the TSP Welcome Letter. TSP will honor a timely request for a refund even if the participant has made a contribution election, contribution allocation, interfund transfer, or taken other actions that could be construed as “active” participation in the plan (such as a loan or in-service withdrawal), or subsequently separated from Federal service. The refund that TSP pays to the participant is considered ordinary income earned, but is not subject to the Internal Revenue Code 10 percent early withdrawal penalty tax.

TSP will provide information about the refund process as well as TSP-25 in its Welcome Letter to automatically enrolled participants.

C Action Required

To obtain additional information about the changes in TSP, contact a servicing Human Resources Office according to the following table.

IF located in...	THEN contact...
<ul style="list-style-type: none">• FSA/FAS/RMA National Office• RMA Regional and Compliance Offices, except Kansas City• FAS Overseas Posts	Darla Hensley, HRD, Employee Programs Branch, at 202-401-0681.
FSA State or County Office	State Administrative Officer.
FSA/RMA Kansas City Offices	KCHRO, ELRS by the Service Area.
KCCO, ITSD	Dana Candler at 816-926-6117.
AMS, MSD, APFO, FSC, PARLS, Budget, HRD, RMA	Patricia Gepford at 816-926-6529.

Example Letter for FERS New Hire/Rehire

The following is an example of the Letter for FERS New Hire/Rehire. Note the information in **[square brackets]** must be furnished by the agency as indicated. Instructions to the agency are set forth in **{curly brackets}**. A text copy of this letter can be found at www.tsp.gov by clicking:

- “Information for Agency/Service Representatives” at the bottom of the screen
- “Historical Information” under “TSP Resources”.

Congratulations on your **[appointment/reappointment]** with **the [name of agency]**. This position is covered by the Federal Employees’ Retirement System (FERS) **[agencies with a FERS equivalent system insert name instead, i.e. FSRDS]**, and as a result you have been automatically enrolled in the Thrift Savings Plan (TSP). The TSP is a retirement savings and investment plan for Federal employees and is similar to “401(k)” plans available to many private sector employees. The purpose of the TSP is to provide you the opportunity to participate in a long-term retirement savings and investment plan. The TSP is one of the three parts of the FERS **[or agency equivalent]** retirement program. (The FERS Basic Annuity and Social Security are the other two parts.)

Automatic Enrollment

The amount of your automatic contribution to the TSP is 3% of your basic pay which will be deposited into your TSP account every pay period. These contributions are deducted from your pay and are tax-deferred for purposes of Federal and, in most cases, state income tax. In addition, the **[name of agency]** will deposit Agency Matching Contributions equal to your 3% deposit. Plus you also receive an Agency Automatic (1%) Contribution that is equal to 1% of your basic pay. All totaled with your contributions and those from **[name of agency]**, the equivalent of 7% of your basic pay will be deposited into your TSP account each pay period. This is a good start toward saving for retirement; however, you can easily increase the amount of your contributions and receive additional Agency Matching Contributions, making your retirement savings grow even faster. See the paragraphs, Employee Contributions and Agency Matching Contributions.

Stop Automatic Enrollment

However, if you do not wish to contribute to your TSP account you can request to stop the automatic enrollment process. To stop the automatic enrollment process before any contributions are deducted from your pay, you must complete Form TSP-1, Election Form, and immediately turn it in during your in-processing **[agencies may also have a deadline date within the first pay period and should provide that date to the employee in this letter]**. If you stop your contributions, you are not eligible to receive Agency Matching Contributions. You will still receive the Agency Automatic (1%) Contributions. Also, it is possible that payroll may not be able to stop your first contribution to the TSP. If this happens, you can leave the contribution in your TSP account or you can make a request to the TSP to return your contribution. To request a refund of your contribution, read the paragraph titled Refund of Automatic Enrollment Contributions.

Example Letter for FERS New Hire/Rehire (Continued)**Rehired with a break in service of 30 days or less**

If you are rehired or transferred into a position covered by FERS **[or another agency equivalent, i.e. FSPS]** and your break in service from your last covered position is 30 days or less, the **[agency name]** will reinstate your prior TSP election. You will not become automatically enrolled in the TSP; however, you may change or stop your TSP election, and if you were not previously contributing, you may choose to elect to contribute to the TSP at any time.

Employee Contributions

You may elect to increase, decrease, or stop your contributions to your TSP account at any time. To make a contribution election, complete the **[attached]** Form TSP-1, Election Form, and return it to **[insert office name]** by **[insert date]**. **{If employees may, or must, make electronic contribution elections, revise this sentence accordingly.}** You may specify a whole percentage of basic pay that you want to contribute each pay period, or you may specify a whole dollar amount. Whether you specify a percentage or dollar amount of your pay, your total contributions for the year cannot exceed the Internal Revenue Code's elective deferral limit for the year.

The limit for **[insert year]** is **[\$[insert maximum IRC elective deferral limit]**. Your contribution election will remain in effect until you make another election to change the amount of your contributions or to stop them. You should consider increasing your contributions to at least 5% of your basic pay each pay period during the year in order to receive all of the Agency Matching Contributions for which you are eligible. If you reach the IRC limit before the end of the year, the TSP cannot accept additional contributions and as a result you will not receive the Agency Matching Contributions for the remaining pay dates in the year. The TSP has a calculator on its website (www.tsp.gov) under Planning for Retirement to assist you in maximizing your employee and Agency Matching Contributions each year.

Agency Contributions

Because you have been automatically enrolled in the TSP, effective your first pay period, the **[insert agency name]** will begin making Agency Matching Contributions to your TSP account. Even if you stop contributing your own money, the **[name of agency]** will make Agency Automatic (1%) Contributions that will equal 1% of the basic pay you earn for the pay period. If you are making Employee Contributions, you will also begin receiving Agency Matching Contributions to your TSP account. The first 3% of pay that you contribute each pay period will be matched dollar for dollar, and the next 2% that you contribute will be matched 50 cents on the dollar.

Example Letter for FERS New Hire/Rehire (Continued)

As a result of your automatic enrollment, you are contributing 3% of your pay and receiving Agency Matching Contributions of 3%. However, if you increase your employee contributions to 5% you will then receive Agency Matching Contributions of 4% each pay period. This means the equivalent of 10% of your basic pay will be saved toward your retirement each pay period (5% your Employee Contribution + 4% Agency Matching Contributions + 1% Agency Automatic Contribution = **10%** in your TSP account). Your agency contributions will also be invested according to your contribution allocation on file with the TSP on the date the contributions are posted to your account.

Catch-up Contributions

If you are age 50 or older or will turn age 50 by the end of this year, you may make an additional election to contribute catch-up contributions. This is a separate election that will request your agency to deduct additional tax-deferred TSP contributions from your pay. To make catch-up contributions, complete the [**attached**] Form TSP-1-C, Catch-up Contribution Election Form, and return it to [**insert office name**]. **{If employees may, or must, make electronic catch-up contribution elections, revise this sentence accordingly and provide the employee with instructions on how to make this TSP election.}** You must elect a whole dollar amount from your basic pay each pay date.

The maximum amount you may contribute in catch-up contributions for [**insert year**] is \$[**insert maximum catch-up for the year**]. This amount of taxdeferred contributions is in addition to the amount you may contribute through the regular TSP election discussed in the paragraph above. You will not receive Agency Matching Contributions on the amount you elect to contribute through catch-up contributions. Your catch-up contribution election will remain in effect either until you make another election to change the amount of or stop your contributions, or until the last pay date of the calendar year. You must make a new election to contribute catch-up contributions each year.

Refund of Automatic Enrollment Contributions

You may request a refund of the employee contributions that were deducted from your pay during the first 90 days that you were automatically enrolled. To do so, you must send Form TSP-25, Automatic Enrollment Refund Request, which you will receive with your Welcome Letter from the TSP. Your properly completed Form TSP-25 must be returned to the TSP using the address on the form and must be received by the TSP no later than the date provided in the TSP Welcome Letter. Do NOT return the form to [**name of agency**]. Make sure you read the directions on Form TSP-25 as well as the instructions in the TSP Welcome Letter.

Example Letter for FERS New Hire/Rehire (Continued)

If you were previously employed by the Federal Government and were automatically enrolled, you are not eligible for a refund of the automatic enrollment contributions for subsequent periods, unless one full calendar year (January through December) has passed since your last automatic enrollment contribution (visit the TSP website for more details). The amount of your refund will be your automatically withheld employee contributions and any gains or losses from the performance of your investment(s). Although the Agency Automatic (1%) Contributions and their earnings will remain in your TSP account; you will forfeit any Agency Matching Contributions and their earnings. Also, requesting a refund of your automatic enrollment contributions will not stop future contributions from being deducted from your pay. You must complete Form TSP-1, Election Form, and return it to [insert office name]. **{If employees may, or must, make electronic contribution elections, revise this sentence accordingly.}**

Establishing Your TSP Account

Your TSP account will be established when the [name of agency] submits your first contributions. Once your account is established, the TSP will send three separate mailings to you: (1) a TSP Welcome Letter which includes your TSP account number, (2) your TSP Web password, and (3) your ThriftLine Personal Identification Number (PIN). Along with your Welcome Letter, you will receive the TSP booklet *Managing Your Account*, which provides valuable information on TSP investment options, making a contribution allocation, requesting an interfund transfer, and how to designate beneficiaries. If you already have an established TSP account from previous Federal service, and you did not withdraw all of your money while you were separated, you will receive the Welcome Letter only. You should continue to use the PIN and password originally mailed to you. If you have forgotten or misplaced them, use the TSP website or ThriftLine to request new ones. If you withdrew your entire balance while separated, you will receive the Welcome Letter and a new PIN and password. If you have or had a TSP uniformed services account, your Federal civilian account is a separate account and you will receive all of the above mailings.

Contribution Allocations

Your first contribution will be invested in the Government Securities Investment (G) Fund. After receiving your TSP Welcome Letter, you may invest your contributions in any of the 10 TSP funds by requesting a contribution allocation. You cannot request a contribution allocation until your TSP account has been established. The information to request a contribution allocation will be provided with your TSP Welcome Letter. **Note:** If you have an existing TSP account balance from previous Federal civilian service, your contributions will be invested using your last contribution allocation on file with the TSP.

Example Letter for FERS New Hire/Rehire (Continued)**Interfund Transfers**

You can redistribute your TSP account balance among the 10 TSP funds by requesting an interfund transfer. You will not be able to request an interfund transfer until your TSP account has been established. The instructions to request an interfund transfer will be provided with your TSP Welcome Letter.

Additional Information

To find additional information about the TSP, visit the TSP website at www.tsp.gov. If you have any questions about the TSP and your participation, contact **[insert agency contact and other information, as appropriate]**.

Example Letter for CSRS Rehires/Transfers

The following is an example of the Letter for CSRS Rehires/Transfers. Note the information in **[square brackets]** must be furnished by the agency as indicated. Instructions to the agency are set forth in **{curly brackets}**. A text copy of this letter can be found at www.tsp.gov by clicking:

- “Information for Agency/Service Representatives” at the bottom of the screen
- “Historical Information” under “TSP Resources”.

Congratulations on your reappointment to a position covered by the Civil Service Retirement System (CSRS) **[agencies with a CSRS equivalent system insert name instead, i.e. FSRDS]**. As a result, you have been automatically enrolled in the Thrift Savings Plan (TSP). The TSP is a retirement savings and investment plan for Federal employees and is similar to 401(k) plans available to many private sector employees. The purpose of the TSP is to provide you the opportunity to participate in a long-term retirement savings and investment plan and is a supplement to your CSRS annuity.

Rehired with a break in service of 30 days or less

If you are rehired or transferred into a position covered by CSRS **[or another agency equivalent, i.e. FSRDS]** and your break in service from your last covered position is 30 days or less, the **[agency name]** will reinstate your prior TSP election. You will not become automatically enrolled in the TSP (as described in the next paragraph); however, you may change or stop your TSP election, and if you were not previously contributing, you may choose to elect to contribute to the TSP at any time.

Automatic Enrollment (Rehired with more than a 30-day break in service)

The amount of your automatic contribution to the TSP is 3% of your basic pay which will be deposited into your TSP account every pay period. These contributions are deducted from your pay and are tax-deferred for purposes of Federal and, in most cases, state income tax. This is a good start toward saving additional money for retirement; however, you can easily increase the amount of your contributions, making your retirement savings grow even faster. See the paragraph, Employee Contributions.

Stop Automatic Enrollment

If you do not wish to contribute to your TSP account, you can request to stop the automatic enrollment process. To stop the automatic enrollment process before any contributions are deducted from your pay, you must complete Form TSP-1, Election Form, and immediately turn it in during your in-processing **[agencies may also have a deadline date within the first pay period and should provide that date to the employee in this letter]**. However, it is possible that payroll may not be able to stop your first contribution to the TSP. If this happens, you can leave the contribution in your TSP account or you can make a request to the TSP to return your contribution. To request a refund of your contribution, read the paragraph, Refund of Automatic Enrollment Contributions.

Example Letter for CSRS Rehires/Transfers (Continued)

Employee Contributions

You may elect to increase, decrease, or stop your contributions to your TSP account at any time. To make a contribution election, complete the **[attached]** Form TSP-1, Election Form, and return it to **[insert office name]** by **[insert date]**. **{If employees may, or must, make electronic contribution elections, revise this sentence accordingly.}** You may specify a whole percentage of basic pay that you want to contribute each pay period, or you may specify a whole dollar amount. Whether you specify a percentage or dollar amount of your pay, your total contributions for the year cannot exceed the Internal Revenue Code's elective deferral limit for the year. The limit for **[insert year]** is \$ **[insert maximum IRC elective deferral limit]**. Your contribution election will remain in effect until you make another election to change the amount of your contributions or to stop them.

Catch-up Contributions

If you are age 50 or older or will turn age 50 by the end of this year, you may make an additional election to contribute catch-up contributions. This is a separate election that will request your agency to deduct additional tax-deferred TSP contributions from your pay. To make catch-up contributions, complete the **[attached]** Form TSP-1-C, Catch-up Contribution Election Form, and return it to **[insert office name]**. **{If employees may, or must, make electronic catch-up contribution elections, revise this sentence accordingly and provide the employee with instructions on how to make this TSP election.}** You must elect a whole dollar amount from your basic pay each pay date.

The maximum amount you may contribute in catch-up contributions for **[insert year]** is \$ **[insert maximum catch-up for the year]**. This amount of tax-deferred contributions is in addition to the amount you may contribute through the regular TSP election discussed in the paragraph above. Your catch-up contribution election will remain in effect either until you make another election to change the amount of or stop your contributions, or until the last pay date of the calendar year. You must make a new election to contribute catch-up contributions each year.

Refund of Automatic Enrollment Contributions

You may request a refund of the employee contributions that were deducted from your pay during the first 90 days that you were automatically enrolled. To do so, you must send Form TSP-25, Automatic Enrollment Refund Request, which you will receive with your Welcome Letter from the TSP. Your properly completed Form TSP-25 must be returned to the TSP using the address on the form and must be received by the TSP no later than the date provided in the TSP Welcome Letter. Do NOT return the form to **[name of agency]**. Make sure you read the directions on Form TSP-25 as well as the instructions in the TSP Welcome Letter.

Example Letter for CSRS Rehires/Transfers (Continued)

If you were previously employed by the Federal Government and were automatically enrolled, you are not eligible for a refund of the automatic enrollment contributions for subsequent periods, unless one full calendar year (January through December) has passed since your last automatic enrollment contribution (visit the TSP website for more details). The amount of your refund will be your automatically withheld employee contributions and any gains or losses from the performance of your investment(s). Also, requesting a refund of your automatic enrollment contributions will not stop future contributions from being deducted from your pay. You must complete Form TSP-1, Election Form, as described below and return it to **[insert office name]**. **{If employees may, or must, make electronic contribution elections, revise this sentence accordingly.}**

Establishing Your TSP Account

Your TSP account will be established when the [name of agency] submits your first contribution. Once your account is established, the TSP will send three separate mailings to you: (1) a TSP Welcome Letter which includes your TSP account number, (2) your TSP Web password, and (3) your ThriftLine Personal Identification Number (PIN). Along with your Welcome Letter, you will receive the TSP booklet *Managing Your Account*, which provides valuable information on TSP investment options, making a contribution allocation, requesting an interfund transfer, and how to designate beneficiaries. If you already have an established TSP account from previous Federal service, and you did not withdraw all of your money while you were separated, you will receive the Welcome Letter only. You should continue to use the PIN and password originally mailed to you. If you have forgotten or misplaced them, use the TSP website or ThriftLine to request new ones. If you withdrew your entire balance while separated, you will receive the Welcome Letter and a new PIN and password. If you have or had a TSP uniformed services account, your Federal civilian account is a separate account and you will receive all of the above mailings.

Contribution Allocations

Your first contribution will be invested in the Government Securities Investment (G) Fund. After receiving your TSP Welcome Letter, you may invest your contributions in any of the 10 TSP funds by requesting a contribution allocation. You cannot request a contribution allocation until your TSP account has been established. The information to request a contribution allocation will be provided with your TSP Welcome Letter. **Note:** If you have an existing TSP account balance from previous Federal civilian service, your contributions will be invested using your last contribution allocation on file with the TSP.

Example Letter for CSRS Rehires/Transfers (Continued)**Interfund Transfers**

You can redistribute your TSP account balance among the 10 TSP funds by requesting an interfund transfer. You will not be able to request an interfund transfer until your TSP account has been established. The instructions to request an interfund transfer will be provided with your TSP Welcome Letter.

Additional Information

To find additional information about the TSP, visit the TSP website at www.tsp.gov. If you have any questions about the TSP and your participation, contact **[insert agency contact and other information, as appropriate]**.