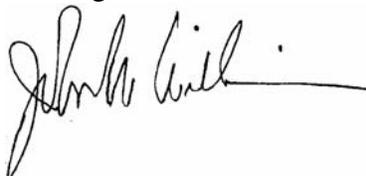


For: FFAS Employees

Thrift Savings Plan (TSP) Updates

Approved by: Deputy Administrator, Management



1 Overview

A Background

TSP:

- is a retirement benefit offered to Government employees that are covered by the Federal Employees' Retirement System (FERS), Foreign Service Pension System (FSPS), Civil Service Retirement System (CSRS), CSRS Offset, Foreign Service Retirement and Disability System (FSRDS), or FSRDS Offset
- allows participants to make before-tax contributions and to invest in a long-term savings and investment plan.

B Purpose

This notice provides:

- updates to TSP for tax year 2006
- information about other recent changes in TSP.

2 2006 Updates

A Eliminating Percentage Restrictions on Employee Contributions

The percentage limitations on TSP employee contributions will be lifted for the 2006 tax year. Employee contributions will no longer be subject to the 10 or 15 percent limit, but will remain subject to limitations imposed by the Internal Revenue Code (IRC) according to subparagraph B.

Disposal Date	Distribution
January 1, 2007	All FAS, FSA, and RMA employees; State Offices relay to County Offices

Notice PM-2508

2 2006 Updates (Continued)

A Eliminating Percentage Restrictions on Employee Contributions (Continued)

Beginning with contributions for the 2006 tax year, participants may elect to contribute either of the following to TSP:

- any whole percentage of their basic pay (1 to 100 percent)
- a specific whole dollar amount each pay period.

B IRC Elective Deferral Limit for 2006

IRC, Section 402(g) limits the amount of income a participant may elect to defer during the tax year. The elective-deferral limit for 2006 is \$15,000. This limit applies to the employee's regular contributions to TSP. The payroll system will stop all employee contributions if this limit is reached.

Note: If participant contributions stop, so do Agency matching contributions for FERS and FSPS participants.

C TSP Catch-Up Contributions for 2006

Employees eligible for catch-up contributions may elect to contribute up to an additional \$5,000 in tax year 2006. Tax year 2006 withholdings **begin** with the salary payments for pay period 25 of leave year 2005 and will **end** with pay period 24 of leave year 2006. To be eligible for catch-up contributions, a participant must be all of the following:

- in a pay status
- at least 50 years old (even if 50th birthday is December 31 of current tax year)
- able to certify that they will make (or have made) the maximum regular employee contributions (\$15,000) by the end of 2006.

Note: Participants who are in a 60-month non-contribution period, following receipt of a financial hardship in-service withdrawal, are **not** eligible for catch-up contributions.

Catch-up contributions are made on a pre-tax basis that means they are taken from basic pay before Federal and, in almost all cases, State income taxes, and therefore, can only be made by payroll deduction.

Notice PM-2508

3 TSP General Information

A Agency Contributions and Matching Funds

Employees covered by FERS or FSPS are eligible to receive an automatic Agency 1 percent and Agency matching contributions after they serve the required waiting period according to subparagraph B.

Note: Employees who were previously eligible to receive Agency contributions are **not** required to serve another waiting period to receive Agency contributions but should receive them immediately upon re-entry to a retirement-covered position.

If FERS or FSPS employees elect to contribute, they will receive matching contributions at the rate of a dollar for each dollar on the first 3 percent of their contribution and 50 cents on each dollar for the next 2 percent. Eligible employees will receive the automatic Agency 1 percent after the waiting period regardless of whether they contribute to TSP.

Employees covered by CSRS or FSRDS are **not** eligible for Agency contributions.

B Required Waiting Period for Agency Matching Contributions

Newly hired FERS or FSPS employees who were **not** previously eligible for agency contributions must serve the following waiting periods before they are eligible to receive Agency contributions to their TSP accounts.

IF first hired...	THEN receives Agency contribution 1st full pay period of the following...
June 1 through November 30	June.
December 1 through May 31	December.

C Revised TSP Information

Several TSP booklets, forms, and fact sheets have recently been revised. Updated information should be downloaded from www.tsp.gov under "Forms and Publications". These include, but are not limited to the following:

- booklet, "Summary of the Thrift Savings Plan", revised August 2005
- TSP-1, "TSP Election Form", revised July 2005
- TSP-1-C, "TSP Catch-up Contribution Election", revised July 2005
- TSP-19, "Transfer of Information Between Agency", revised June 2005
- OC-03-03, TSP fact sheet, "Catch-up Contributions", revised October 2005.

Servicing Personnel Offices (SPO's) shall download and maintain a supply of the most recent TSP Summary booklet and TSP-1 to provide to newly hired employees who are eligible to participate in TSP.

Notice PM-2508

4 Processing a TSP Election

A Employee Action

TSP open seasons were eliminated in July 2005. Therefore, employees may make changes to their TSP contribution amounts at any time. Employees are highly encouraged to use the self-service feature of the NFC Employee Personal Page (EPP) to process all TSP elections. To enroll, change a contribution amount, or stop a contribution, employees should do either of the following:

- access EPP through the NFC web site at www.nfc.usda.gov and use the self-service feature

Note: A personal identification number (PIN) is required to access EPP

- complete TSP-1 and submit to SPO.

Note: If processing a change using EPP do **not** send TSP-1 to SPO.

B Servicing Personnel Office (SPO) Action

When appointing FERS or FSPS employees who have **not** been previously eligible to receive agency contributions, SPO must:

- determine when the employee will become eligible to receive agency contributions
- enter TSP eligibility when processing accession action in ICAMS
- notify employee of his or her eligibility to make a TSP election using the sample letter attached to TSP Bulletin 05-02 found at www.tsp.gov
- process TSP-1's received effective the 1st day of the pay period following receipt.

5 TSP Investment Funds

A The Lifecycle (L) Funds

L funds are invested according to a professionally designed mix of stocks, bonds, and Government securities. Select an L fund based on the "time horizon" when you will need the money after leaving federal service. The 5 L funds are L 2040, L2030, L2020, L2010, and L Income.

5 TSP Investments Funds (Continued)

B Individual Investment Funds

Employees may invest all or any portion of their future TSP contributions in any or all of the investment funds:

- C Fund, Common Stock Index
- G Fund, Government Securities
- F Fund, Fixed Income Index
- S Fund, Small Capitalization Stock Index
- I Fund, International Stock Index.

Allocation of contributions among the investment funds may be made in 1 percent increments. See TSP Summary booklet for more information about the investment funds.

C Allocating Investment Funds

To allocate contributions among any of the investments funds, employees should:

- use TSP web site at <http://www.tsp.gov>, using their TSP PIN
- access TSP toll-free Thriftline at 877-968-3778, using their TSP PIN
- complete an **original** TSP-50 and mail directly to TSP.

Note: Copies are not accepted.

Changes to investment allocations or inter-fund transfers of current allocations may be done at anytime using 1 of the methods in this subparagraph. Use of TSP web site is the most efficient way and highly encouraged.

Notice PM-2508

6 Contacts

A National Office Contacts

National Office employees shall contact the appropriate office according to the following table for additional information.

IF employee needs to...	THEN...
obtain TSP forms or publications	<ul style="list-style-type: none"> • download them from the Internet at www.tsp.gov • go to Room 5700A, L Street • contact HRD, DOB, Services Unit at 202-418-9135 or 202-418-9136.
verify TSP election processed	<ul style="list-style-type: none"> • review your leave and earnings statement for the effective pay period • check EPP • contact HRD, DOB, Services Unit at 202-418-9135 or 202-418-9136.
obtain policy information or guidance about TSP	<ul style="list-style-type: none"> • contact HRD, Performance Management, Benefits, and Awards Branch (PMBAB) at 202-418-9021 • visit TSP's web site at www.tsp.gov.

B Field Office Contacts

Employees shall contact the appropriate office, according to the following table, for additional information.

Location	Contact
<ul style="list-style-type: none"> • Kansas City FSA Complex • RMA Kansas City Offices • St. Louis Office • APFO 	KCHRO, Processing Section at 816-926-6225
<ul style="list-style-type: none"> • RMA Regional Service and Compliance Offices (except Kansas City) • FSA Administrative Office • FAS Overseas Posts 	<ul style="list-style-type: none"> • Darla Hensley, HRD, PMBAB at 202-418-9021 • Susan Brown, HRD, PMBAB at 202-418-9039 • Maria Ruiz, HRD, PMBAB at 202-418-9034
FSA State Office	Administrative Officer
FSA County Office	