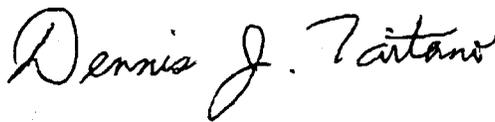


For: FFAS Employees

Thrift Savings Plan (TSP) Updates

Approved by: Acting Deputy Administrator, Management



1 Overview

A Background

TSP:

- is a retirement benefit that is offered to U.S. Government employees who are covered by any of the following:
 - Federal Employees' Retirement System (FERS)
 - Foreign Service Pension System (FSPS)
 - Civil Service Retirement System (CSRS)
 - CSRS Offset
 - Foreign Service Retirement and Disability System (FSRDS)
 - 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 2007
- information on other recent changes in TSP.

Tax year 2007 will:

- begin with withholdings from **salary payments for pay period 25 of leave year 2006**
- end with **salary for pay period 24 of leave year 2007.**

| Disposal Date | Distribution |
|-----------------|--|
| January 1, 2008 | All FAS, FSA, and RMA employees; State Offices relay to County Offices |

Notice PM-2564

2 2007 Updates

A Restrictions on Employee Contributions

There are no longer any percentage limitations on employee TSP contributions. However, employee contributions remain subject to the limitations imposed by the Internal Revenue Code (IRC) according to subparagraph B.

Participants may elect to change their TSP contribution at anytime to either of the following:

- any whole percentage of their basic pay (1 to 99 percent)
- a specific whole dollar amount each pay period (up to \$999).

B IRC Elective Deferral Limit for 2007

IRC, Section 402(g) limits the amount of income a participant may elect to defer during the tax year. The elective-deferral limit for 2007 is \$15,500. This limit applies to 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 2007

Employees eligible for TSP catch-up contributions may elect to contribute up to an additional \$5,000 in tax year 2007. Withholdings for 2007 begin with the salary payment for pay **period 25** of leave year 2006 and **will end** with pay period 24 of leave year 2007. To be eligible for catch-up contributions, a participant must:

- be in a pay status
- be at least 50 years old (even if 50th birthday is December 31 of the current tax year)
- certify that they will make (or have made) the maximum regular employee contributions (\$15,500) by the end of tax year 2007.

Note: Participants who are in a 6-month noncontribution period, following receipt of a financial hardship in-service withdrawal, **are not** eligible for catch-up contributions.

Like regular TSP contributions, catch-up contributions are made on a pre-tax basis, which 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-2564

3 TSP General Information

A Agency Contributions and Matching Funds

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

CSRS- and FSRDS-covered employees are **not** eligible for Agency contributions.

B Required Waiting Period for Matching Funds

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... |
|----------------------------|--|
| June 1 through November 30 | first full pay period of the following June. |
| December 1 through May 31 | first full pay period of the following 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:

- TSP booklet, "Summary of the Thrift Savings Plan", revised August 2005
- TSP-1, "TSP Election Form", revised January 2006
- TSP-1-C, "TSP Catch-Up Contribution Election", revised July 2005
- OC-91-13, TSP fact sheet, "Annual Limit on Elective Deferrals", revised November 2006
- 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 election forms to provide to newly hired employees who are eligible to participate in TSP.

Notice PM-2564

4 Processing a TSP Election

A Employee Action

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 of their TSP elections. To enroll, change a contribution amount, or stop a contribution, employees should do either of the following:

- process it using the NFC-EPP, self-service feature

Note: A personal identification number (PIN) is required to access NFC-EPP at www.nfc.usda.gov.

- complete TSP-1 and submit to SPO.

Note: If processing a change using NFC-EPP, TSP-1 should **not** be sent to SPO.

B 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
- 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.

Notice PM-2564

5 TSP Investments Funds

A 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,” which is when an employee will need the money after leaving Federal service. The five L funds are L2040, L2030, L2020, L2010, and L Income.

B Individual 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 Investment Fund
- G Fund, Government Securities Investment Fund
- F Fund, Fixed Income Index Investment Fund
- S Fund, Small Capitalization Stock Index Investment Fund
- I Fund, International Stock Index Investment Fund.

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

C How to Allocate Investment Funds

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

- use the TSP web site at www.tsp.gov, using their TSP PIN
- access the TSP Toll-Free Thriftline at 1-877-968-3778, 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. Using the TSP web site is the most efficient way and highly encouraged.

Notice PM-2564

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 1280 Maryland Ave., 4th Floor, Portals Bldg. • contact HRD, Personnel Payroll Operations Staff (PPOS) at 202-401-0674 or 202-401-0677. |
| verify TSP election processed | <ul style="list-style-type: none"> • review the leave and earnings statement for the effective pay period • check NFC-EPP • contact HRD, PPOS at 202-401-0674 or 202-401-0677. |
| obtain policy information or guidance about TSP | <ul style="list-style-type: none"> • visit TSP's web site at www.tsp.gov • contact HRD, Employee Programs Branch (EPB) at 202-401-0681. |

B Field Office Contacts

Federal and County Field Office 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 | KCHRO, Processing Section at 816-926-6225 |
| <ul style="list-style-type: none"> • RMA Regional Service and Compliance Offices (except Kansas City) • FAS Overseas Posts | Contact 1 of the following: <ul style="list-style-type: none"> • Darla Hensley, HRD, EPB at 202-401-0681 • Susan Brown, HRD, EPB at 202-401-0066 • Maria Ruiz, HRD, EPB at 202-401-0685. |
| State Office | State Office, Administrative Office |
| County Office | State Office, Administrative Office |