



Summary of the Thrift Savings Plan

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The Thrift Savings Plan

The Thrift Savings Plan (TSP) is a retirement savings plan similar to 401(k) plans offered to private sector employees.

Eligibility

Your retirement system determines whether you can participate in the TSP. You're eligible to participate if you're in the following groups:

- a federal employee covered by the Federal Employees Retirement System (FERS)
- a federal employee covered by the Civil Service Retirement System (CSRS)
- a member of the uniformed services
- a civilian in certain other categories of federal service such as some congressional positions and some justices and judges

You can check with your personnel or benefits office if you're not sure which retirement system applies to you.

Your Retirement Savings

The purpose of the TSP is to give you a long-term retirement savings and investment plan. Saving for your retirement through the TSP provides many advantages, including the following:

- automatic payroll deductions
- a diversified choice of investment options, including individual funds; professionally designed lifecycle funds, which mix the individual funds and optimize your investment strategy for target withdrawal dates; and an option for investing in mutual funds
- a choice of tax treatments:
 - traditional (pre-tax) contributions and tax-deferred investment earnings
 - Roth (after-tax) contributions and Roth in-plan conversions with tax-free earnings at retirement if you satisfy the IRS requirements
- low administrative and investment expenses
- agency/service contributions, if you are an employee covered by FERS or a member of the uniformed services covered by BRS
- under certain circumstances, access to your money while you are still employed by the federal government
- a beneficiary participant account established for your spouse in the event of your death¹

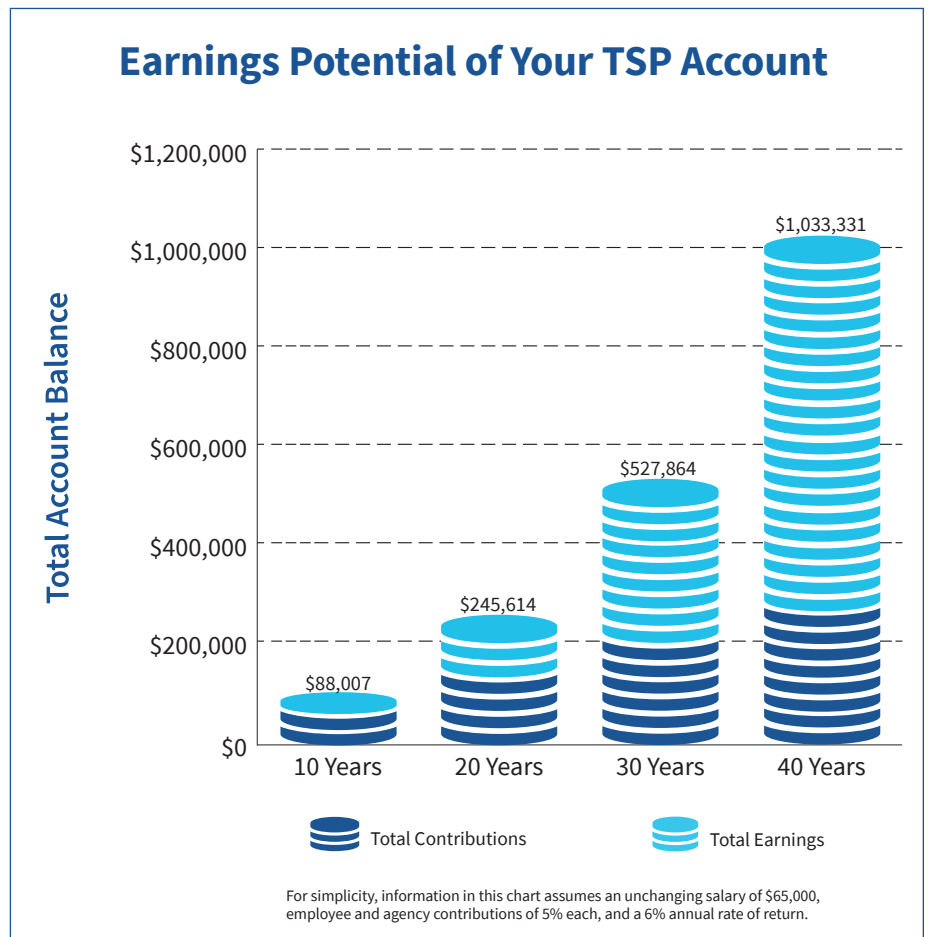
¹ For more information, see the TSP booklet *Death Benefits* on [tsp.gov](https://www.tsp.gov).

- a variety of distribution options in retirement

The TSP is one part of your retirement benefit package. Depending on your retirement system, your benefit package may also include Social Security, a FERS basic annuity, a CSRS annuity, military retired pay, or a combination of these.

TSP benefits differ depending on your retirement system (FERS, CSRS, BRS, or non-BRS uniformed services).

Regardless of your retirement system, participating in the TSP can significantly increase your retirement income, but starting early is important. Contributing early gives the money in your account more time to increase in value through the compounding of earnings.



Establishing Your TSP Account

The first contribution to the TSP—your own contribution or that of your agency or service—establishes your account.

If you’re a FERS or CSRS employee or a BRS member who began or rejoined federal service after October 1, 2020, your agency or service automatically enrolled you in the TSP, and 5% of your basic salary is deducted from your paycheck every pay period and deposited into your TSP account,² unless you made a contribution election to stop or change your contributions. If you’re a BRS member who stopped your contributions during the year, you are automatically reenrolled at 5% of your basic pay on January 1. If you’re FERS or BRS, you also get contributions from your agency or service. See “Agency/Service Contributions for FERS and BRS Participants” on page 5.

² BRS members who began service on or after January 1, 2018, are not automatically enrolled until they have served for 60 days.

If you're a FERS or CSRS employee or a BRS member who began or rejoined federal service between August 1, 2010, and September 30, 2020, you were automatically enrolled at 3%.

If you're a FERS employee hired before August 1, 2010, or a BRS “opt-in” member³ and are not contributing your own money, you still have a TSP account with accruing Agency/Service Automatic (1%) Contributions. You have to make a contribution election through your agency or service to start contributing your own money to your account and to receive Agency/Service Matching Contributions. See “Agency/Service Contributions for FERS and BRS Participants” on page 5.

If you're not described in either of the previous paragraphs, then you have to make a TSP contribution election through your agency or service to establish a TSP account. You do not receive agency/service contributions.

The TSP Contribution Election

TSP contributions are payroll deductions. You have to make a contribution election through your agency or service to

- start your contributions if you were not automatically enrolled;
- increase or decrease your contributions;
- change the tax treatment of your employee contributions (traditional or Roth); or
- stop your contributions.

First, ask your personnel or benefits office whether your agency or service handles TSP enrollments through paper TSP forms or electronically through automated systems such as Employee Express, EBIS, myPay, LiteBlue, or the NFC EPP.

Next, tell your personnel or benefits office how much you want to contribute and the tax treatment of your contributions through your agency or service electronic system or by submitting Form TSP-1 or TSP-U-1 to them. You can get copies of these forms on tsp.gov. **Return the completed form to your agency or service, not to the TSP. Your personnel or benefits office needs your information to set up your payroll deductions.**

You may start, stop, or change your contributions at any time. Your election should be effective no later than the first full pay period after your agency or service receives it.

Employee Contributions

In order to make contributions to your TSP account, you must be in pay status as a full-time or part-time employee of the federal government or member of the uniformed services.

³ Members of the uniformed services who had served fewer than 12 years as of December 31, 2017, were given the option of joining BRS during calendar year 2018.

You can choose between two tax treatments for your contributions:

- traditional (pre-tax)
- Roth (after-tax)

See “A Choice of Tax Treatments” on page 8.

Regular employee contributions are payroll deductions that come out of your basic pay before taxes are withheld (traditional contributions) or after taxes have been withheld (Roth contributions). Each pay period, your agency or service will deduct your contribution from your pay in the amount you choose (or the automatic enrollment amount of 5%) and send your contribution to the TSP. Your agency or service will continue to do this until you make a new TSP election to change or stop your contribution, or until you reach the applicable Internal Revenue Code (IRC) contribution limit (pages 6 – 7). Check your earnings and leave statement to verify that the correct amount is coming out of your pay.

Contributions from other types of pay for uniformed services members: In addition to basic pay, you can also contribute from 1 to 100% of any incentive pay, special pay, or bonus pay, as long as you elect to contribute at least 1% from basic pay. Your total contributions from all types of pay must not exceed the applicable IRC contribution limit (see pages 6 – 7).

You can elect to contribute from incentive pay, special pay, or bonus pay, even if you are not currently receiving them. These contributions will be deducted when you receive any of these types of pay. If you are receiving tax-exempt pay (i.e., pay that is subject to the combat zone tax exclusion), your contributions from that pay will also be tax-exempt. Earnings on tax-exempt contributions designated as traditional will be taxed at withdrawal. Earnings on tax-exempt contributions designated as Roth will be tax-free at withdrawal, provided they meet the criteria for qualified earnings detailed on page 9.

Catch-up contributions—In the year you turn 50, you become eligible to save even more by contributing toward the IRC catch-up limit (see page 7). That means that if you meet the IRC elective deferral limit and keep saving, your contributions will automatically start counting toward the catch-up limit. In the years you turn 60, 61, 62, and 63, the catch-up limit is higher than the regular catch-up limit. In the years you turn 64 and older, the catch-up limit is the lower, regular catch-up limit amount. Your contribution election will carry over each year unless you submit a new one or separate from service.

As of January 1, 2026, **if your income for the prior year is above the IRS wage threshold for that year, any catch-up contributions you make in the current year must be designated as Roth, regardless of your current election.** For example, the requirement applies in 2026 if you earned more than \$150,000 in 2025. This amount is adjusted annually for inflation. If you don't already have a Roth balance, your first Roth contribution will automatically create one. If you don't want to contribute to Roth, you can stop your contributions at any time.

Special conditions for uniformed services members wanting to make catch-up contributions: You can't contribute toward the catch-up limit from incentive pay, special pay, or bonus pay. Also, if you enter a combat zone and receive tax-exempt pay, only Roth contributions toward the catch-up limit are allowed. We cannot accept traditional tax-exempt contributions toward the catch-up limit.

Retirement Savings Contributions Credit—You may be able to take a tax credit for your TSP contributions. The Retirement Savings Contribution Credit (or Saver’s Credit) is designed to encourage low- and modest-income individuals to save for retirement. Eligibility depends on your adjusted gross income (AGI) and filing status. For more information, see your tax advisor or refer to IRS Form 8880.

Agency/Service Contributions for FERS and BRS Participants

As a FERS or BRS participant, you receive Agency/Service Automatic (1%) Contributions. You also receive Agency/Service Matching Contributions on your own TSP contributions. These contributions don’t increase the dollar amount of your pay for income tax or Social Security purposes, nor do they come out of your pay. Your agency or service deposits them into your TSP account. They’re an essential benefit of your retirement system, so it’s important to understand how these contributions work and to maximize them to achieve your financial goals for retirement.

Agency/Service Automatic (1%) Contributions—equal to 1% of your basic pay—are deposited into your TSP account every pay period, beginning the first time you’re paid. (**Exception:** BRS members do not receive these contributions until they have served 60 days.) Agency/Service Automatic (1%) Contributions are not taken out of your pay; your agency/service gives them to you. You don’t have to contribute any money to your TSP account to receive these contributions, but they are subject to “vesting.”

Being **vested** means that you’re entitled to keep your Agency/Service Automatic (1%) Contributions (and their earnings) after you work in the federal government or uniformed services for a certain number of years. All years of service in a position eligible for the TSP count toward vesting, even if you don’t contribute to the TSP during that time.

- Most FERS employees become vested in Agency Automatic (1%) Contributions after three years of federal civilian service.
- FERS employees in congressional and certain noncareer positions become vested in Agency Automatic (1%) Contributions after completing two years of federal civilian service.
- BRS participants become vested in Service Automatic (1%) Contributions after completing two years in the uniformed services.

Important: Civilian service does not count toward vesting in a uniformed services (BRS) account, and uniformed service does not count toward vesting in a civilian account.

The date your vesting period begins is determined by your TSP Service Computation Date (TSP-SCD) or your PEBD,⁴ which your agency or service reports to the TSP. You can find your SCD or PEBD in My Account.

If you leave government service before you satisfy the vesting requirement, your Agency/Service Automatic (1%) Contributions and their earnings must be forfeited. However, if you die before separating from service, you are automatically considered vested in all of the money in your account.

You are always vested in your own contributions and their earnings and in your Agency/Service Matching Contributions and their earnings.

⁴ For the Army, PEBD stands for “pay entry basic date.” The Navy and Marine Corps refer to this as the “pay entry base date,” while the Air Force calls it simply the “pay date.” The Department of Defense refers to it as the “basic pay date.”

Agency/Service Matching Contributions—If you’re a FERS or eligible BRS participant,⁵ you receive Agency/Service Matching Contributions on the first 5% of pay you contribute every pay period. The first 3% is matched dollar-for-dollar by your agency or service; the next 2% is matched at 50 cents on the dollar. This means that when you contribute 5% of your basic pay, your agency or service contributes an amount equal to 4% of your basic pay to your TSP account. Together with the Agency/Service Automatic (1%) Contribution you get, your agency/service puts in a total of 5%. Keep in mind, though, that if you stop your employee contributions, your Agency/Service Matching Contributions will also stop, but Agency/Service Automatic (1%) Contributions continue to go into your account. You can contribute more than 5%, but your agency/service only matches the first 5% you contribute.

CSRS and non-BRS uniformed services participants do not receive matching contributions.

How Much You Can Contribute

The Internal Revenue Code (IRC) places a number of specific limits on the dollar amount of contributions you can make to the TSP.⁶ They are generally referred to as the “IRS limits” because the IRS is responsible for calculating them each year. The annual limits can change, and we announce them on tsp.gov when they do.

The **IRC elective deferral limit**, established under IRC section 402(g), is the maximum amount of employee contributions that you can contribute in a calendar year. The elective deferral limit applies to the combined total of your tax-deferred traditional contributions and your Roth contributions.

For members of the uniformed services, elective deferrals include all traditional and Roth contributions from taxable basic pay, incentive pay, special pay, and bonus pay. However, the elective deferral limit does not apply to traditional contributions made from tax-exempt pay earned in a combat zone. (If you are making tax-exempt Roth contributions and you reach the elective deferral limit, then you may only make tax-exempt traditional contributions for the rest of that year.) If you are a member of the uniformed services who is contributing to both a uniformed services and a civilian TSP account, the elective deferral limit applies to the total amount of traditional and Roth contributions you make in a calendar year.

Elective deferrals do not include Agency/Service Automatic (1%) or Agency/Service Matching Contributions.

If you’re a FERS or BRS participant eligible for Agency/Service Matching Contributions, be sure to space out your contributions throughout the year so that you don’t reach the elective deferral limit early. If you reach the elective deferral limit, your contributions will stop, and you’ll miss out on valuable Agency/Service Matching Contributions for the rest of the year.

⁵ BRS participants who began service on or after January 1, 2018, begin receiving matching contributions after two years of service.

⁶ Territories of the United States are not subject to the contribution limits set by the IRC. If you are a resident of a U.S. territory, check with your Territorial Tax Authority to see what limits apply to your TSP contributions.

The **IRC section 415(c) limit**, also known as the annual additions limit, is an annual per-employer limit that the IRC imposes on the total amount of all contributions made on behalf of an employee to an eligible retirement plan in a calendar year. For the federal government, this includes employee contributions (tax-deferred, after-tax, and tax-exempt), Agency/Service Automatic (1%) Contributions, and Agency/Service Matching Contributions. (For 415(c) purposes, working for multiple federal agencies or services is considered having one employer.)

Members of the uniformed services should pay particular attention to this section 415(c) limit if they contribute from pay that is subject to the combat zone tax exclusion because section 415(c) limits the amount of tax-exempt pay a uniformed services participant may contribute.

The **catch-up contribution limit** (IRC section 414(v)) is the maximum amount of additional employee contributions that can be contributed in a calendar year by participants turning age 50 or older. It is separate from both the elective deferral limit imposed on regular employee contributions and the IRC section 415(c) limit imposed on employee contributions (tax-deferred, after-tax, and tax-exempt), Agency/Service Automatic (1%) Contributions, and Agency/Service Matching Contributions. **In the years you turn 60, 61, 62, and 63, the IRS catch-up limit is higher for you than the regular catch-up limit.** You can find the higher catch-up limit amount for the current year on [tsp.gov](https://www.tsp.gov). In the years you turn 64 and older, the catch-up limit for you is the lower, regular catch-up limit amount.


Transferring to another agency or service? Be sure to notify your new personnel or benefits office that you have been contributing to the TSP so that you can avoid an interruption in your contributions. It's your responsibility to notify your agency or service if your contributions don't start. If you don't, you may not be able to make up missed contributions.

A Choice of Tax Treatments: Traditional or Roth?

This section explains the difference between traditional (pre-tax) TSP and Roth (after-tax) TSP and gives you information to help you choose the tax treatment of your savings.

When you make contributions to your TSP account, you decide when to pay income tax. You can pay taxes when you earn and contribute the money or when you withdraw it. If you want to have the money you contribute counted as taxable income in the year you earn it so that you don't get taxed on it when you withdraw it, you designate your contribution as Roth. If you'd rather put off being taxed on it now and have it counted as taxable income when you withdraw it later on, you designate it as traditional. You can also choose to contribute some of each.


Apart from contributions, you may also have the option to change the tax treatment of money already in your TSP account from traditional to Roth by doing a Roth in-plan conversion. This is a complex topic, so while there's some overview information about Roth in-plan conversions at the end of this section, you can find the details you would need to talk to a tax advisor and make that choice in the TSP booklet *Roth In-Plan Conversions* on tsp.gov.

If you're a member of the uniformed services who might receive tax-exempt pay for serving in a combat zone, please pay special attention to the notes about tax-exempt pay throughout this section. They're marked with this icon: 

Traditional TSP Contributions

The pay that you put into your TSP account as a traditional contribution does not get taxed before you contribute it. It is not part of your taxable income for that year, and taxes will not be withheld from it. But when you withdraw traditional money from your TSP account, you'll be taxed on all of it—the contributions you made and the earnings on those contributions.

If you're automatically enrolled, your contributions are traditional. But you can always elect to switch all or part of your contributions to Roth. **FERS and BRS participants:** All agency/service contributions to your TSP account are traditional.

 If you make a traditional contribution to your TSP account from tax-exempt pay, that contribution will be kept separate from the rest of your traditional TSP money so that you won't ever have to pay taxes on it. The money that contribution earns while in your TSP account, however, will be taxed upon withdrawal just like other traditional money.


Roth TSP Contributions

The money from your paycheck that you put into your TSP account as a Roth contribution gets taxed before you contribute it. It's part of your taxable income for the year you make the contribution, and the usual tax withholding applies. The advantage to Roth is that when you withdraw that money later in life, you've already paid the taxes on it, so you don't have to pay taxes on the withdrawal. This is always true of the portion of your withdrawal that's made up of your Roth contributions. It's also true of the money

your contributions earned while in your TSP account, if at the time the withdrawal is made both of these Internal Revenue Code (IRC) requirements are met:

- 5 years have passed since January 1 of the calendar year when you made your first Roth TSP contribution.
- You are at least age 59½, permanently disabled, or deceased.⁷


When those two requirements have been met, the earnings on your Roth contributions are considered qualified, and you don't pay taxes on them when you withdraw them. Also, your Roth balance isn't subject to IRS required minimum distributions (RMDs), which means you can keep your Roth contributions and earnings in your TSP account as long as you want. (See page 26 for information about RMDs.)

 If you make a Roth contribution to your TSP account from tax-exempt pay, you never pay taxes on that income—not at the time you contribute it and not when you withdraw it. The earnings on that contribution are also tax-free if you meet the qualifying requirements just described.

Traditional TSP and Roth TSP Balances

Almost all TSP participants have a traditional TSP balance. That's because all agency/service contributions are traditional and because the Roth option wasn't available until 2012. If you've made Roth contributions or done a Roth in-plan conversion, your account will also have a Roth TSP balance.

We have to keep these two pots of money separate so that we can treat the money differently for tax purposes as described earlier. When you take a loan from your account or do a fund transfer or reallocation, the transaction will include a proportional amount from each balance (traditional and Roth). For example, if 80% of your account is in your traditional balance and 20% is in your Roth balance, and you take a TSP loan, then 80% of the amount you borrow will be from your traditional balance and 20% will be from your Roth balance. When you take withdrawals or distributions from your account, however, you can choose that same proportional method, or you can choose to have the money come from your traditional balance only or from your Roth balance only.

 If you have contributed tax-exempt pay to your traditional balance, we have to keep track of that money separately. Remember, you don't pay taxes on tax-exempt contributions you take from your account, but you do pay taxes on the earnings those contributions make while in your account. Tax-exempt contributions to your Roth balance are not treated any differently from the rest of the money that's there: the contributions are always tax-free when withdrawn, and the earnings are tax-free if the IRC qualifying requirements described earlier in this section are met.

⁷ We cannot certify to the IRS that you meet the definition of disability when your taxes are reported. You must provide the justification to the IRS when you file your taxes. "Deceased" means that Roth earnings inherited after your death automatically meet this condition—your Roth account must still meet the 5-year condition for earnings to be considered "qualified" and tax-free for beneficiaries. If you started a Roth balance by doing a Roth in-plan conversion, then that conversion was your first Roth contribution.

Which Tax Treatment to Choose?

Making the decision between Roth, traditional, or a combination of both requires making some educated guesses. While there's no simple formula that will provide the perfect answer, there is a logical thought process you should follow as you make your choice. And that thought process is based on two basic facts:

1. **A contribution to your traditional balance will result in more money in your net paycheck.** For example, let's say your gross (pre-tax) income for the year is \$50,000 and your tax withholding rate is 20%. If you contribute \$1,000 to your Roth balance, there is no impact on your taxable income. However, if you make the same \$1,000 contribution to your traditional balance, then your taxable income for the year will be reduced by \$1,000, which means your tax withheld for the year will be reduced by \$200 (20% x \$1,000). That \$200 reduction results in a bigger net paycheck.
2. **But when you take distributions from your Roth TSP balance, that's tax-free income if the earnings are qualified.** Reverse the example from the previous paragraph, keeping the same hypothetical 20% tax rate: If you take \$1,000 of traditional money, you'll only receive \$800. If you take \$1,000 from your Roth TSP balance and meet the IRS requirements for qualified earnings, you get the full \$1,000.

Clearly, there are pros and cons to whatever decision you make. This is where the educated guessing comes in: What will your tax rate be in retirement compared to what it is now? While this is impossible to predict with precision, there are several questions to ask yourself that can make your guess a more educated one:


- Are you in a very low tax bracket right now?
- Will you continue to work—either full- or part-time—after you've started to take TSP distributions?
- Will you have other taxable income in retirement?

Strong “yes” answers to those questions would suggest your taxable income will be higher in retirement. That would be a point in favor of Roth since you're better off paying taxes now.

On the other hand:

- Are you in a high tax bracket right now?
- With fewer expenses in retirement, are you planning to take less money from your account than you earn now?

Strong “yes” answers to those questions would suggest that your taxable income will be lower in retirement. That would be a point in favor of traditional since you're better off deferring taxes now and paying them at a lower rate later.

 If you're a BRS member or a FERS employee in nonpay status who expects to return to a civilian job before the calendar year is out, remember that tax-exempt contributions to a Roth balance count against the IRC elective deferral limit, while those made to a traditional balance do not (see pages 6–7). If you reach the limit before the year is out, you will have to stop making TSP contributions, and you'll miss out on Agency/ Service Matching Contributions. You need to weigh the tax advantages of Roth against the value of matching.

Two important things to remember about the tax treatment of your contributions:

- **You don't have to choose just one.** Many people will find traditional contributions attractive in some ways and Roth contributions attractive in other ways. There's no reason you can't designate some of your contributions traditional and some Roth.
- **You can change the tax treatment of the money going into your TSP account whenever you want.** Throughout your working career, your circumstances will change. Think about the questions you answered in this section. The answers won't stay the same forever. Revisit these questions from time to time to see if you should make changes. If you're not sure what's right for you, it might help to talk to a tax advisor.

Roth In-Plan Conversions

A Roth in-plan conversion allows you to convert a portion of money from your traditional TSP balance to your Roth TSP balance within your TSP account. This option is available to you throughout your working years and in retirement as long as your traditional TSP balance meets eligibility requirements.

If you don't have a Roth TSP balance in your TSP account, you can still do a Roth in-plan conversion. In this case, your first Roth in-plan conversion will create a Roth TSP balance.

When you convert pre-tax money from your traditional TSP balance, **your Roth in-plan conversion amount becomes part of your taxable income for the year.** This means that you'll owe income tax on the conversion amount at your income tax rate. You must pay the income tax on the conversion amount using personal funds from another source, such as a savings account. You cannot use part of the amount you're converting to pay taxes.

Roth in-plan conversions are complex, and there's a lot to consider about the advantages and disadvantages. **We strongly recommend that you consult a tax advisor before you do a Roth in-plan conversion.**

For details about eligibility, effects on income, paying taxes, example calculations, and other rules, read the entire TSP booklet *Roth In-Plan Conversions* on tsp.gov.

Moving Money from Other Plans into the TSP

We will accept into the traditional balance of your TSP account rollovers of tax-deferred money from traditional individual retirement accounts (IRAs), SIMPLE IRAs, and eligible employer plans.

We will accept into the Roth balance of your TSP account direct rollovers of qualified and nonqualified Roth distributions from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s. If you don't already have a Roth balance in your TSP account, the rollover will create one.

We will not accept the following into your Roth balance:

- rollovers of Roth distributions that have already been paid to you
- rollovers from Roth IRAs

There are two ways to make rollover contributions into your TSP account. You can have your IRA or plan send money directly to your TSP account. This is called a direct rollover. Or, within 60 days of receiving payment from your IRA or plan, you can roll over all or part of that payment to your account in what's known as an indirect rollover. In an indirect rollover, your IRA or plan will withhold the appropriate amount for taxes. So if your intent is to roll over the entire amount of the distribution you received to the TSP and continue to defer taxes, you need to add money to make up for the amount that was withheld.

Your rollover will be invested in the TSP according to your latest investment election (see page 18). The money you move into the TSP does not count toward the IRC contribution limits.

Conditions for the rollover. We will accept a rollover contribution under the following conditions:

- The money must be considered an "eligible rollover distribution" for federal income tax purposes. (Verify this by checking with your tax advisor or the administrator of the IRA or plan from which you are moving the money.)
- You can roll over money to the TSP only if you have an existing TSP account with a balance.
- You cannot open a TSP account by rolling over money to the TSP. However, if you have an open TSP account, you can start a Roth balance with a rollover of Roth money.

Why roll your money in to the TSP? Rollover contributions to your TSP account allow you to consolidate your retirement savings in one place. This makes it easier to evaluate whether you are on target to reach your retirement savings goals, and to make sure the right asset allocation to meet these goals is applied to all your savings. Also, because of the TSP's low costs, your savings can grow faster.

Investing in the TSP

We offer you three approaches to investing your money:

- **Individual funds**—You make your own decisions about your investment mix by choosing from any or all of the individual TSP investment funds (G, F, C, S, and I Funds).
- **The L Funds**—Each of the eleven Lifecycle Funds (L Funds) is a diversified mix of the five individual funds. They were designed by investment professionals to let you invest your entire portfolio in a single L Fund and get the best expected return for the amount of expected risk that is appropriate for you.
- **Mutual fund window**—If you meet certain conditions and pay the necessary fees, you can invest in mutual funds available in our mutual fund window. Once you've made the election to move money into the mutual fund window, you independently select which mutual funds you want to invest in with that money. You cannot take loans, distributions, or withdrawals directly from money invested in the mutual fund window. You must first transfer it to a TSP fund. No more than 25% of your total account balance may be invested in the mutual fund window, and your initial investment in it must be at least \$10,000.

These investment options are designed so you can choose either the L Fund that is appropriate for you, or a combination of the TSP funds and/or mutual funds that will support your personal investment strategy. You may invest in any fund or combination of funds. Because the L Funds are already made up of the five individual funds, you will duplicate your investments if you invest simultaneously in an L Fund and the individual TSP funds.

Special note: If you are a civilian who was enrolled on or after September 5, 2015, or a BRS member of the uniformed services, then unless you make a different investment election, all contributions received by the TSP are deposited into the L Fund most appropriate for your age. If you were rehired after a break in service, a number of factors affect how your contributions will be invested by default. It is especially important for you to review your statements to ensure your money is being invested the way you want it to be.

If you do not meet any of the descriptions in the previous paragraph, then until you make an investment election, all contributions to your account are deposited into the Government Securities Investment Fund (G Fund).

The Individual Funds

The TSP has five individual investment funds:

The Government Securities Investment Fund (G Fund)—The G Fund is invested in short-term U.S. Treasury securities. It gives you the opportunity to earn rates of interest similar to those of long-term government securities with no risk of loss of principal. Payment of principal and interest is guaranteed by the U.S. government. The interest paid by the G Fund securities is calculated monthly based on the market yields of all U.S. Treasury securities with more than 4 years to maturity; the interest rate changes monthly.

The Fixed Income Index Investment Fund (F Fund)—The F Fund tracks the Bloomberg U.S. Aggregate Bond Index. This is a broad index representing the U.S. government, mortgage-backed, corporate, and foreign government (issued in the U.S.) sectors of the U.S. bond market. This fund offers you the opportunity to earn rates of return that exceed money market fund rates over the long term (particularly during periods of declining interest rates).

The Common Stock Index Investment Fund (C Fund)—The C Fund tracks the Standard & Poor’s 500 (S&P 500) Stock Index. This is a market index made up of the stocks of 500 large U.S. companies. It offers you the potential to earn the higher investment returns associated with equity investments.

The Small Capitalization Stock Index Investment Fund (S Fund)—The S Fund tracks the Dow Jones U.S. Completion Total Stock Market (TSM) Index. This is a market index of small and medium-sized U.S. companies that are not included in the S&P 500 index. It offers you the opportunity to earn potentially higher investment returns that are associated with “small cap” investments, but with greater volatility.

International Stock Index Investment Fund (I Fund)—The I Fund tracks the MSCI ACWI IMI ex USA ex China ex Hong Kong Index. This is a broad international market index made of large, medium, and small companies in more than 40 developed and emerging market countries. It gives you the opportunity to invest in international stock markets and to gain a global equity exposure in your portfolio.

The TSP funds are not available to investors outside of the TSP and do not have ticker symbols (unique identifiers assigned to securities). You can, however, obtain additional information about the underlying indexes that certain TSP funds track.

TSP Fund	Index TSP Fund Tracks
F Fund	Bloomberg U.S. Aggregate Bond Index
C Fund	Standard & Poor’s 500 (S&P 500) Stock Index
S Fund	Dow Jones U.S. Completion Total Stock Market (TSM) Index
I Fund	MSCI ACWI IMI ex USA ex China ex Hong Kong Index

The L Funds

The L Funds are designed by investment professionals to let you invest your entire portfolio in a single L Fund and get the best expected return for the amount of expected risk that is appropriate for you. Each of the eleven L Funds is a diversified mix of the five individual funds (G, F, C, S, and I). The asset allocations are based on assumptions regarding future investment returns, inflation, economic growth, and interest rates. We regularly review these assumptions to see whether changes to the allocations should be made.

The year in the name of the L Fund is its target date, and the exact mix of individual funds in each L Fund is called the target allocation. The farther away the target date, the more aggressive the target allocation. So, for example, L 2065 is designed for people who plan to retire and begin taking distributions within a few years of 2065. These younger participants can take more risk, seeking greater return, because they have time to recover from any market downturns before they'll need their money. L 2065's target allocation includes more of the aggressive C, S, and I Funds and very little of the conservative G and F Funds.

Every quarter (three months), the target allocations of all the L Funds except L Income are automatically adjusted, gradually shifting them from higher risk and return to lower risk and return as they get closer to their target dates. When an L Fund reaches its target date, it goes out of existence, and any money in it becomes part of the L Income Fund. For example, in 2030, the L 2030 Fund becomes part of the L Income Fund.

One of the important things about the L Funds is that they stick to their target allocations for a full quarter regardless of what the markets do. Every trading day, some of the individual funds in an L Fund will do better than others. At the end of the day, the individual funds that did better will make up a higher percentage of the L Fund than the ones that did less well. To maintain each L Fund's target allocation, we rebalance it at the end of every trading day. We do this by buying and selling the individual funds that make up the L Fund so that the percentages go back to what they were at the beginning of the day. In effect, we're buying low and selling high at the end of every trading day.

Investing in the L Funds does not eliminate risk, and the funds are not guaranteed against loss. The L Funds are subject to the risks inherent in the underlying individual funds and can have periods of gain and loss.

Fund Risks

There are various types of risk associated with the TSP funds. There is no risk of investment loss in the G Fund. However, investment losses can occur in the F, C, S, and I Funds. Because the L Funds are invested in the individual TSP funds, they are also subject to the risks that those underlying funds are exposed to.

These risks include the following:

- **Credit risk**—The risk that a borrower will default on a scheduled payment of principal and/or interest. This risk is present in the F Fund.
- **Currency risk**—The risk that the value of a currency will rise or fall relative to the value of other currencies. Currency risk occurs with investments in the I Fund because of fluctuations in the value of the U.S. dollar in relation to the currencies of the countries in the MSCI ACWI IMI ex USA ex China ex Hong Kong Index.
- **Inflation risk**—The risk that your investments will not grow enough to offset the effects of inflation. This risk is present in all five funds.
- **Market risk**—The risk of a decline in the market value of the stocks or bonds. This risk is present in the F, C, S, and I Funds.
- **Prepayment risk**—A risk associated with the mortgage-backed securities in the F Fund. During periods of declining interest rates, homeowners may refinance their high-rate mortgages and prepay the principal. The F Fund must reinvest the cash from these prepayments in current bonds with lower interest rates, which lowers the return of the fund.

Choosing Your Own Investment Mix

If you decide not to invest in the L Funds and you would rather choose your own investment mix from the G, F, C, S, and I Funds or use the mutual fund window, remember that your investment allocation is one of the most important factors affecting the growth of your account. If you prefer this approach, keep the following points in mind:

Consider both risk and return. Over a long period of time, the F Fund (bonds) and the C, S, and I Funds (stocks) have higher potential returns than the G Fund (government securities). But stocks and bonds also carry the risk of investment losses, which the G Fund does not.

You need to be comfortable with the amount of risk you expect to take. Your investment comfort zone should allow you to use a long-term strategy so that you are not chasing market returns during upswings, or abandoning your investment strategy during downswings.

You can reduce your overall risk by diversifying your investments. The five individual TSP funds offer a broad range of investment options, including government securities, bonds, and domestic and foreign stocks. Generally, it's best not to put "all of your eggs in one basket."

The amount of risk you can sustain depends on your investment time horizon. The more time you have before you need to take money from your account, the more risk you may be able to take. (This is because early losses can be offset by later gains.)

Periodically review your investment choices. Check the investment allocation of your account to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want. You can rebalance your account by making a fund transfer or reallocation.

Comparison of the TSP Funds

The chart below provides a comparison of the available TSP funds. For more detailed information about each fund, see the *TSP Fund Information* sheets on tsp.gov. You can also link to useful information about funds you own in My Account.

	Investments	Objective	Risk (see page 16)	Volatility	Types of Earnings***	Inception Date
G Fund	Government securities (specially issued to the TSP)	Interest income without risk of loss of principal	Inflation risk	Low	Interest	April 1, 1987
F Fund*	Government, corporate, and mortgage-backed bonds	To match the performance of the Bloomberg U.S. Aggregate Bond Index	Market risk, credit risk, prepayment risk, inflation risk	Low to moderate	Change in market prices, interest	Jan. 29, 1988
C Fund*	Stocks of large U.S. companies	To match the performance of the Standard & Poor's 500 (S&P 500) Stock Index	Market risk, inflation risk	Moderate	Change in market prices, dividends	Jan. 29, 1988
S Fund*	Stocks of small to medium-sized U.S. companies not included in the C Fund	To match the performance of the Dow Jones U.S. Completion TSM Index	Market risk, inflation risk	Moderate to high	Change in market prices, dividends	May 1, 2001
I Fund*	International stocks in more than 40 developed and emerging market countries	To match the performance of the MSCI ACWI IMI ex USA ex China ex Hong Kong Index	Market risk, currency risk, inflation risk	Moderate to high	Change in market prices, change in relative value of currency, dividends	May 1, 2001
L Funds**	Invested in the G, F, C, S, and I Funds	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds	Exposed to all of the types of risk to which the individual TSP funds are exposed, but total risk is reduced through diversification among the five individual funds	Asset allocation shifts as target date approaches to reduce volatility	Composite of earnings in the underlying funds	August 1, 2005

* The F, C, S, and I Funds also have earnings from securities lending income and from temporary investments in G Fund securities. These amounts represent a very small portion of total earnings.

** Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

*** Income from interest and dividends is included in the share price calculation.

The Mutual Fund Window

The mutual fund window allows participants who meet certain conditions to invest a portion of their account in mutual funds outside of the TSP. Your initial investment in the mutual fund window must be at least \$10,000, and you may not invest more than 25% of your total account in the mutual fund window. If you are thinking about using the mutual fund window, bear in mind that any or all of the risks explained in the description of the TSP funds may also apply to your chosen mutual funds. In addition, participants who choose to invest through the mutual fund window will be charged fees that do not apply to participants who invest only in the TSP funds. See the TSP fact sheet *TSP Mutual Fund Window* on [tsp.gov](https://www.tsp.gov) for more information.

Investment Elections, Reallocations, and Fund Transfers

There are three types of investment transactions you can make:

- Investment election
- Reallocation
- Fund transfer

Investment election. An investment election specifies how you want to invest new money going into your TSP account. Your investment election will apply to all future deposits to your account. These include employee contributions; agency/service contributions (if you are FERS or BRS); any special pay, incentive pay, or bonus pay that you contribute as a member of the uniformed services; any money you move into the TSP from other retirement plans; and any TSP loan payments. Your investment election will not affect money that is already in your account. Your investment election will remain in effect until you submit a new one.

Reallocation. A reallocation moves the money already in your account among the TSP investment funds. When you make a reallocation, you choose the new percentage you want invested in each fund. You cannot move specific sources of money among the funds. For example, if you have traditional (including tax-exempt) and Roth money in your account, your reallocation will move a proportional amount from each type of money into the funds that you have specified.

Fund transfer. A fund transfer moves money from one or more specific funds to another specific fund or funds without affecting the rest of your account. Fund transfers are also how you move money to and from the mutual fund window.

Reallocations and fund transfers are limited. Each calendar month, your first two reallocations or fund transfers may be used to redistribute money in your account among any of the TSP funds. After the first two of either type of transaction, for the remainder of the month, you can only move money into the G Fund. If you have both a civilian and a uniformed services account, these rules apply to each account separately.

Making investment transactions. You can make any of these transactions in My Account or by using one of the ThriftLine options listed at the beginning of this booklet. Transactions made before noon eastern-

time are generally processed that business day. If we have a valid email address for you on file, we will send an email confirmation of your transaction.

Expenses for TSP Funds

All retirement investment vehicles, including the TSP, charge fees to meet their expenses. TSP expenses are lower than the industry average. While this cost is only one of several factors you should consider when making investment decisions, the effect of high fees and expenses over time can substantially reduce the growth of your investments.

We break our expenses into administrative expenses and investment expenses.

TSP **gross administrative expenses** cover the costs of administering the Plan:

- the cost of operating and maintaining our recordkeeping system
- the cost of providing participant services
- the cost of printing and mailing notices, statements, and publications

These expenses are first paid by forfeitures of Agency/Service Automatic (1%) Contributions of FERS and BRS participants who leave federal service before meeting vesting requirements. What remains after using forfeitures to cover costs are **net administrative expenses**.

We also have **investment expenses**, which are the fees we pay to our investment managers.

To meet our **total expenses**—net administrative expenses and investment expenses—we make small reductions to our funds' earnings. All TSP participants in a given fund pay the same percentage of their investment in the fund to cover expenses. This percentage is called an expense ratio. An **expense ratio** is the result of dividing total expenses by the average dollar amount held in the fund.

For example, the total expense ratio for the C Fund in 2023 was .048%. This means that TSP participants' investments in the C Fund were reduced by 48 cents for every \$1,000 invested. A participant with \$1,000 invested in the C Fund paid 48 cents toward the fund's expenses; a participant with \$100,000 invested paid \$48. Everyone pays the same percentage. So the larger your share of the fund, the larger your share of expenses.

You can find the current expense ratios for all of the TSP funds on [tsp.gov](https://www.tsp.gov).

TSP Loans

New loans are available only to participants who are actively employed, who are in pay status, and who have contributed their own money to the TSP.

When you take a loan, you are borrowing your own contributions and the earnings on those contributions. When your loan is approved, the amount of the loan is removed from your TSP account. As you repay your loan, your loan repayments restore the amount of your loan plus the interest you pay to your account.

Cost of taking a loan. You repay your loan with interest. The loan interest rate you pay for the life of the loan will be the interest rate in effect when you request your loan. The monthly loan interest rate is equal to the G Fund's interest rate from the prior month.

We also charge a processing fee for each loan: \$50 for a general purpose loan and \$100 for a primary residence loan. This fee is used to cover the cost of processing and servicing your loan. It is deducted from the amount of the loan that you receive.

Before you take a loan, consider that your loan costs are not limited to the interest and fee that you pay. The cost of a loan can be much more far reaching.

When you borrow from your account, you miss out on the earnings that might have accrued on the money you borrowed. Even though you must pay the money back to your account with interest, the interest you pay to your account may be less than what you might have earned if you had kept the money in the TSP. Also, if you fail to make payments and your loan becomes delinquent, the loan may be closed, and the balance and accrued interest will be taxed as income.

Source of your loan. Any loan you take from your account will be paid proportionally from your traditional and Roth balances and from each TSP fund in which you have investments. (The same is true for tax-exempt contributions in your traditional balance if you are a member of the uniformed services.) You cannot request a loan from, for example, only the taxable portion of your traditional balance that is invested in the G Fund. If you have both traditional and Roth balances and you are invested in multiple TSP funds, both balances and all your fund investments will be affected by your loan.

Types of loans. There are two types of TSP loans:

- A general purpose loan
- A loan for the purchase or construction of a primary residence

You may only have two loans outstanding at one time, and only one of them may be a primary residence loan. In other words, you may have one general purpose loan and one primary residence loan at the same time or two general purpose loans at the same time, but you may not have two primary residence loans at the same time. This is a per-account limit. If you have both a civilian account

and a uniformed services account, these limits apply separately to each account.

Loan amount. The total amount that you can borrow is limited to your own contributions and the earnings on those contributions. You cannot borrow less than \$1,000. You can find out the amount you may be eligible to borrow by logging in to My Account on tsp.gov or by using one of the ThriftLine options listed at the beginning of this booklet.

Documentation. You do not need to provide any type of documentation for a general purpose loan. However, you will need to provide documentation for a primary residence loan.

Waiting period between loans. You must wait 30 business days from the time you pay off one loan until you are eligible to request another loan of either type.

Repaying a loan. While you're still a federal civilian employee or uniformed services member,⁸ payments are deducted from your paycheck each pay period in the amount you agreed to in your *Loan Promissory Note*. If your agency or service does not deduct your loan payment from your pay, you must submit the loan payment directly to the TSP. **You are responsible for your loan payments.**

If you separate from your federal civilian job or from the uniformed services with an outstanding loan balance, you may continue to make payments on your own, pay off the balance, or allow the loan to be foreclosed and pay taxes on the balance and accrued interest.

You can make additional payments or pay off your loan early. Use one of the ThriftLine options listed at the beginning of this booklet to learn how to do this.

The repayment period of a general purpose loan is 12–60 months. For a primary residence loan, it's 61–180 months.

Consequences of failing to repay your loan. If you fail to repay your loan in accordance with your *Loan Promissory Note*, you will owe income taxes on the outstanding balance of the loan and accrued interest as if you had received it as a withdrawal or distribution. (See “Taxes on Withdrawals and Distributions” on page 25.) It will also affect your ability to take a loan in the future and the amount you have available to borrow.

However, special conditions apply to Roth earnings in an unpaid loan balance:

- If your loan was foreclosed after you separated from service, any qualified Roth earnings will not be subject to tax. Roth earnings that are not qualified will be subject to tax. (See page 9 for the criteria for qualified earnings.)
- If your loan was taxed while you were still active (not separated from service), your Roth earnings will be taxed, even if they were already qualified. That means you'll be paying taxes today on an amount that you would otherwise have been able to receive tax-free at retirement.

Spouses' rights. If you are a married FERS or uniformed services participant, your spouse must consent

⁸ If you have both a civilian account and a uniformed services account, what matters is which account your loan is from. Civilian payroll offices cannot make paycheck deductions for a loan from your uniformed services account, and vice versa.

to your loan. If you are a married CSRS participant, your spouse will be notified of your loan. These rules apply even if you are separated from your spouse. Exceptions may be approved under very limited circumstances.

Bankruptcy and TSP loans. If you have a TSP loan, your payments must continue because, for bankruptcy purposes, a TSP loan is not a debt, and the TSP is not your creditor. Therefore, the bankruptcy court does not have jurisdiction over your TSP loan. For more information, see the TSP fact sheet *Bankruptcy Information* on tsp.gov.

Getting information. For a detailed explanation of the TSP loan program, your obligations if you take a loan, and the consequences of not repaying a loan, read the TSP booklet *Loans* on tsp.gov. For information about your own outstanding loans, log in to My Account or use one of the ThriftLine options listed at the beginning of this booklet.

Taking Money Out of Your Account

Because the purpose of the TSP is for you to save money for your retirement, there are rules that restrict when and how you may withdraw money from your account while you are still employed. Once you leave federal service, however, you have more options. Payments taken when you're still in service are called withdrawals. Payments taken after you're separated are called distributions. Before making any decisions about taking money from your TSP account, **you should review important information in the TSP publications on tsp.gov that apply to your situation:**

- *Distributions*—for all separated and beneficiary participants
- *In-Service Withdrawals*
- *Tax Rules about TSP Payments*

Any money you take from your account will be paid proportionally from each TSP fund in which you have investments. The same is true for tax-exempt contributions in your traditional balance if you are a member of the uniformed services. For example, you cannot request a distribution from only the taxable portion of your traditional balance that is invested in the G Fund. If you are invested in multiple TSP funds, all of them will be affected by your distribution.

If you have both traditional and Roth money in your account and are leaving some money in your account, you must specify that your withdrawal or distribution should come only from your traditional money, only from your Roth money, or proportionally from both.

You cannot request a withdrawal or distribution directly from the TSP mutual fund window. If you have money invested there, you must first transfer it to a TSP fund before you can take it out.

In-Service Withdrawals

In-service withdrawals are withdrawals you take from your TSP account while you're still employed in a TSP-eligible position. These types of withdrawals are available to active participants who meet certain criteria, depending on the type of withdrawal. We do not charge a fee for making an in-service withdrawal. However, the overall effect on your retirement savings may be significant.

When you make an in-service withdrawal, you permanently deplete your retirement savings by the amount of the withdrawal and any future earnings you would have accrued on that money. You must pay federal, and in some cases, state income taxes on the taxable portion of the withdrawal, and you may also be subject to a 10% early withdrawal penalty tax.

Types of withdrawals. There are two types of in-service withdrawals:

- Financial hardship withdrawals
- Age-59½ withdrawals

Financial hardship withdrawals. You can make a financial hardship withdrawal if you can certify, under penalty of perjury, that you have a financial hardship as a result of a recurring negative cash flow, legal expenses for separation or divorce, medical expenses, a personal casualty loss, or a major disaster declared by the Federal Emergency Management Agency. You may withdraw only your contributions and any earnings those contributions have accrued. The minimum you can request is \$1,000. You cannot exceed the amount of your certified financial hardship unless you want the withdrawal to cover tax withholding. In that case, you may request up to 125% of the certified hardship.

Age-59½ withdrawals. You can make withdrawals any time after you reach age 59½. You may withdraw part or all of your vested account balance. You can request a dollar amount of \$1,000 or more, or you can withdraw your entire account balance, your entire traditional balance, or your entire Roth balance (even if the balance you choose is less than \$1,000). You are permitted to make up to four age-59½ withdrawals per calendar year.

Spouses' rights for withdrawals. If you are a married FERS or uniformed services participant, your spouse must consent to your withdrawal. If you are a married CSRS participant, we must notify your spouse of the withdrawal. These rules apply even if you are separated from your spouse. There are exceptions to these rights, but they are rarely granted.

Distributions after You Separate

If your vested account balance is \$200 or more after you leave federal service, you can leave your money in the TSP, or you can request a distribution of all or a portion of your account. If you leave your money in the TSP after you separate from service, be sure to keep your contact information up to date so that we can send you required information.

If your vested account balance is less than \$200 when you leave federal service, we will automatically send you a check for the amount in your account to the address in your TSP account record. You cannot leave this money in the TSP or make any other distribution election. You may, however, roll over the

money to an IRA or eligible employer plan.

Combining accounts. Some TSP participants have two separate TSP accounts—a federal civilian account and a uniformed services account. If you are one of these participants and you separate from either federal civilian employment or the uniformed services, you may take distributions only from the TSP account related to the type of employment from which you have separated. You will also have the option of combining your two accounts into one. However, you can only roll over the account related to your separation to your other TSP account. For example, if you are separated from the uniformed services, you can roll over your uniformed services account to your civilian account. If you have separated from both federal civilian employment and the uniformed services, you can choose which account you want to keep and which one you want to roll over. Money that you roll over will be deposited as employee contributions into either the traditional or Roth balance of the combined account, depending on their designation in the original account. These funds will be allocated according to your most recent investment election on file for the remaining account. If you have an outstanding loan from the account you are moving, you must close it before you can combine your accounts. You cannot transfer a loan from one account to another.

Note: If the traditional portion of your uniformed services TSP account includes a tax-exempt balance, you cannot roll it over to your civilian TSP account. Therefore, you will need to retain your uniformed services account to hold your tax-exempt money until you wish to take it out. It will continue to accrue tax-deferred earnings until then. Any tax-exempt money in your Roth balance can be rolled over to your civilian TSP account.

Types of distributions. There are three basic methods of taking money from your TSP account as a separated participant: installments, partial/total distributions, and annuity purchases. You can use one of these methods or any combination of them you choose.

TSP installments allow you to receive payments from your account monthly, quarterly (every three months), or annually. Your installments will continue, unless you stop them, until your total account balance equals zero. This is true even if you choose to have the installments come from your traditional money first or from your Roth money first. When you run out of money in your chosen source (traditional or Roth), installments will continue from the source you didn't choose. You have the option of receiving a specific dollar amount in each installment (\$25 minimum) or having us calculate your installment amount based on life expectancy. (See "IRS Life Expectancy Tables" in the glossary at the end of this booklet.) After your installments are set up, you can stop or make changes to them at any time.

You can receive a **partial or total distribution** of your TSP account in a single transaction. Partial distributions must be at least \$1,000.⁹ You are allowed to take a distribution of part of your account even if you're currently receiving installments.

An **annuity** pays a benefit to you (or to your survivor) every month for life. We purchase the annuity on your behalf from a private insurance company. You can have us purchase an annuity with all or any portion of your account balance. The minimum amount for purchasing an annuity is \$3,500. It applies to traditional money and Roth money separately. Once you purchase a life annuity, it cannot be revoked or changed.

⁹ The \$1,000 minimum does not apply if you are taking a distribution of your entire balance, your entire traditional balance, or your entire Roth balance.

There are tools and resources to help you in My Account. See the TSP fact sheet *Annuities* on tsp.gov for more information.

Spouses' rights for distributions. If you are married (even if you are separated from your spouse), you are subject to certain spouses' rights requirements.

Note: The following requirements do not apply to total distributions when your balance is \$3,500 or less. Beneficiary participant accounts are also excluded from these requirements.

- **If you are a married FERS or uniformed services participant,** your spouse is entitled by law to a joint life annuity with a 50% survivor benefit, level payments, and no cash refund feature. If you choose any other distribution option, or any combination of options, your spouse must provide consent and waive the right to the annuity with respect to the amount to be distributed. This is also true if you request a change in the amount or frequency of installments since this could affect the amount available for an annuity.
- **If you are a married CSRS participant,** we must notify your spouse of your distribution. This is also true if you request a change in the amount or frequency of installments since this could affect the amount available for an annuity.

There are exceptions to these rights, but they are rarely granted.

Taxes on Withdrawals and Distributions

When you take money out of your TSP account, you will owe taxes on any traditional contributions (except contributions made from tax-exempt pay) and the earnings they have accrued. You will also owe taxes on non-qualified Roth earnings (see page 9). Depending on the type of withdrawal or distribution you're taking, you may be able to continue to defer the taxes by rolling over your TSP payment to a traditional IRA, a SIMPLE IRA, or an eligible employer plan. You can also roll over your traditional funds to a Roth IRA, but you will have to pay taxes on the full amount in the year of the rollover.

You will not owe taxes on money you receive from a nontaxable balance¹⁰ in your account, which may include the following:

- Roth contributions and qualified earnings (see page 9)
- money converted from traditional to Roth through a Roth in-plan conversion¹¹ and qualified earnings (see page 11)
- tax-exempt contributions (and earnings if designated as Roth and qualified)
- money with which you repaid a taxed loan (see the TSP booklet *Loans* on tsp.gov)

Early withdrawal penalty tax. If you receive a TSP payment before you reach age 59½, you may have to pay a 10% early withdrawal penalty tax on any taxable part of the distribution not rolled over.

¹⁰ On transaction confirmation notices, you may see a payment from a nontaxable balance listed as a "nontaxable credit."

¹¹ If you take a withdrawal or distribution that includes converted money within five years of a conversion, you must pay a 10% early withdrawal penalty tax to the IRS **unless an exception applies**. See the TSP booklet *Roth In-Plan Conversions* on tsp.gov for details.

This penalty tax is in addition to the regular income tax you owe, but there are exceptions. In general, if you leave federal service during or after the year you reach age 55, the 10% penalty tax does not apply to any distribution you take that year or later.

There are other exceptions to the early withdrawal penalty tax. See the TSP booklet *Tax Rules about TSP Payments* on tsp.gov. The tax rules that apply to distributions from the TSP are complex, so you may also want to consult with a tax advisor or the IRS before you make any decisions.

IRS Required Minimum Distributions

Once you reach a specific age and are separated from federal service, you will be subject to the IRS required minimum distribution (RMD) rules.¹² These rules require that you receive a certain portion of the traditional balance of your TSP account each year based on your life expectancy. (See “IRS Life Expectancy Tables” in the glossary at the end of this booklet.) We’ll send you information about these rules if they apply to you. For more information, including a table for finding your applicable RMD age, you can read the TSP tax booklet *Tax Rules about TSP Payments* on tsp.gov.

Automatic Enrollment Refunds

If you were automatically enrolled in the TSP, you may request a refund of the employee contributions (plus earnings or minus losses) associated with the automatic enrollment period. If you make an election to change your automatic contributions in any way, you are no longer in the automatic enrollment period, and you can therefore not request a refund of contributions you made after the change.

You must make your request within 90 days of when your first automatic contribution is posted to your account. To determine your refund deadline date, use one of the ThriftLine options listed at the beginning of this booklet.

You will receive a refund of your own employee contributions (plus earnings or minus losses). If you are FERS or BRS, you will forfeit all Agency/Service Matching Contributions to the TSP when your refund is processed. However, your Agency/Service Automatic (1%) Contributions will remain in your account.

Note: Requesting a refund of your automatic employee contributions will not stop your agency/service from deducting future contributions from your pay each pay period. If you also want to stop your automatic contributions, you must make a contribution election (see page 3) to stop your contributions.

Special note for participants automatically enrolled more than once (i.e., separated and rehired after a break in service of 31 days or more): Under rules mandated by the IRS, you are not given a new 90-day refund period unless one full calendar year (January through December) has passed since your last automatic enrollment contribution.

Special note for participants automatically enrolled more than once (i.e., separated and rehired after a break in service of 31 days or more): Under rules mandated by the IRS, you are not given a new

¹² RMD rules also apply to beneficiary participant accounts. However, beneficiary participant account RMDs apply to the entire account balance (traditional and Roth) and have a different beginning date. For more information, see the TSP tax booklet *Tax Rules about TSP Payments* on tsp.gov.

90-day refund period unless one full calendar year (January through December) has passed since your last automatic enrollment contribution.

Special note for automatically enrolled BRS participants: If you were automatically enrolled and you have since stopped contributing to your TSP account, you will again be automatically enrolled in January. That is, if you were not contributing on December 31 of a given year, you will be reenrolled at the beginning of the new year. **Contributions automatically deducted as part of this reenrollment are not eligible to be refunded.** Your service must give you the opportunity to stop reenrollment before contributions are taken from your pay.

Death Benefits

Designating a beneficiary. You should designate a person or persons, your estate, or a trust to receive your TSP account after your death. To designate a beneficiary or beneficiaries, log in to My Account on tsp.gov or use one of the ThriftLine options listed at the beginning of this booklet. **For us to honor it, your beneficiary designation must be on file with us at the time of your death. We cannot honor a will or any other document.**

Reviewing your beneficiaries. By law, we must pay your properly designated beneficiary(ies) under all circumstances. For example, if you designate your spouse as a beneficiary, a beneficiary participant account will be set up for that spouse after your death, even if you are separated. If you divorce (and even remarry) but do not make a new beneficiary designation, your TSP account will be paid to the individual designated on your record, even if this person has given up all rights to your TSP account. Consequently, if your life situation changes, you may want to make a new beneficiary designation that changes your current one.

If you die with a balance in your TSP account and did not designate beneficiaries for that account, the account will be distributed according to the following order of precedence required by law:¹³

1. To your spouse
2. If none, to your child or children equally, with the share due any deceased child divided equally among that child's descendants
3. If none, to your parents equally or to your surviving parent
4. If none, to the appointed executor or administrator of your estate
5. If none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death

As used here, "child" means either a biological child or a child adopted by the participant. It does not include your stepchild unless you have adopted the child. Nor does it include your biological child if that child has been adopted by someone other than your spouse.

"Parents" does not include stepparents who have not adopted you.

¹³ **Exception:** If you separate from service and submit a request for an annuity and you die before annuity payments begin, the amount used to purchase the annuity will be returned to the TSP. We will, if possible, distribute this money consistent with your annuity beneficiary designation.

TSP distribution of death benefits. When a TSP participant dies while still in federal service, the employing agency informs the TSP. If a participant dies after having left federal service, the participant's survivors should contact us using one of the ThriftLine options listed at the beginning of this booklet.

Once we process this information and determine the beneficiaries for your account, we will contact them with additional information and instructions.

For detailed information about death benefits and the disbursement options for beneficiaries, read the TSP booklets *Death Benefits* and *Tax Rules about TSP Payments* on tsp.gov.

Beneficiary Participant Accounts

In the event of your death, if your spouse is a beneficiary of your account and your spouse's share is \$200 or more, we will establish a beneficiary participant account in your spouse's name. The money in the beneficiary participant account will be invested just as it was in your account except for any money you had invested in the mutual fund window. Money from the mutual fund window will be reinvested in TSP funds according to your investment election on file. Your spouse can leave the money in the TSP and manage how it's invested; combine the account with his or her own TSP account, if applicable; or take the money out using any of the TSP distribution options described on pages 23–25.

For more information, see *Your TSP Account: A Guide for Beneficiary Participants*.

Other Information About the TSP

TSP Website (tsp.gov)

The TSP website has current TSP information and materials. You can also log in to the My Account section of tsp.gov to view personal account information (e.g., rates of return and unit prices), see details about TSP funds you own, and perform transactions.

Court Orders and Legal Processes

Your TSP account can be divided in an action for divorce, annulment, or legal separation, or garnished to satisfy a legal process associated with past-due alimony, child support obligation, IRS tax levy, or victims restitution pursuant to the Mandatory Victims Restitution Act (MVRA). There are fees associated with submitting these documents. For more details, read the TSP booklets *Court Orders and Powers of Attorney* and *Tax Rules about TSP Payments* on tsp.gov.

TSP Administration

Management. The Federal Retirement Thrift Investment Board (Agency) is an independent government agency that administers the TSP. It is managed by a presidentially appointed five-member Board and an Executive Director chosen by the Board.

The Agency's recordkeeper handles the day-to-day maintenance and administration of all TSP accounts and assists participants with specific types of TSP-related problems or questions.

Law. The TSP is established under the Federal Employees' Retirement System Act of 1986 and is codified primarily under Chapter 84 of title 5, United States Code (USC). By law, the assets in the TSP are held in trust for each individual participant. The TSP is treated as a qualified trust that is exempt from taxation (see 26 USC § 7701(j)). Its regulations are published in Chapter VI of title 5 of the Code of Federal Regulations.

Audits. By law, the TSP must be audited annually. You can obtain a copy of the most current audited financial statement from frtib.gov or by writing to the TSP.

Glossary

Agency/Service Automatic (1%) Contributions—Contributions equal to 1% of basic pay each pay period contributed to a FERS or BRS participant’s TSP account by his or her agency or service. CSRS employees and non-BRS members of the uniformed services do not receive automatic contributions.

Agency/Service Matching Contributions—Contributions made by agencies and services to TSP accounts of FERS and BRS participants who contribute their own money to the TSP. CSRS employees and non-BRS members of the uniformed services do not receive matching contributions.

Annual Additions “Section 415(c)” Limit—An annual dollar limit, established under Internal Revenue Code (IRC) section 415(c), that limits the amount of money that can be contributed to employer-sponsored plans like the TSP. This limit is per employer and includes all employee and agency contributions. For 415(c) purposes, working for multiple federal agencies or services in the same year is considered having one employer. The limit can change each year.

Annuity—One of the distribution options you have after separating from federal service. Purchasing an annuity provides guaranteed monthly income for the life of the TSP participant (or participant and survivor if a joint annuity) after separating from federal service. These payments are issued directly by the TSP annuity provider.

Automatic Enrollment—The policy that requires agencies and services to enroll into the TSP all FERS and CSRS employees hired or rehired after July 31, 2010, and all uniformed services members who began serving after December 31, 2017. Automatic enrollment contributions are deducted from employees’ basic pay per pay period and deposited into their TSP accounts. Automatically enrolled participants may make a contribution election at any time to change or stop their TSP contributions.

Basic Pay (Civilian)—This pay is defined in 5 United States Code (USC) 8331(3).

Basic Pay (Uniformed Services)—This refers to compensation payable under §§ 204 and 206 of USC title 37. Section 204 pay is pay for active duty; section 206 pay (e.g., inactive duty for training (IDT) pay) is pay earned by members of the Ready Reserve (including the National Guard).

Beneficiary Participant Account—A TSP account established in the name of the spouse beneficiary of a deceased TSP participant.

Blended Retirement System (BRS)—The retirement system for members of the uniformed services who began service on or after January 1, 2018, or who opted into the system.

Bond—A debt security issued by a government entity or a corporation to an investor from whom it borrows money. The bond obligates the issuer to repay the amount borrowed (and, traditionally, interest) on a stated maturity date.

Bonus Pay (Uniformed Services)—Generally, a type of special pay with its own rules for TSP contribution election purposes.

Catch-Up Contribution Limit—An annual dollar limit, established under Internal Revenue Code (IRC) § 414(v), that limits the amount of additional employee contributions that a participant turning age 50 or older can make to employer-sponsored plans like the TSP. It is separate from both the elective deferral limit imposed on regular employee contributions and the IRC § 415(c) limit imposed on employee contributions (tax-deferred, after-tax, and tax-exempt), Agency/Service Automatic (1%) Contributions, and Agency/Service Matching Contributions. For participants turning age 60, 61, 62, or 63, the catch-up limit is higher than the regular catch-up limit. In the years participants turn 64 and older, the catch-up limit is the lower, regular catch-up limit amount. The limit can change each year.

Civil Service Retirement System (CSRS)—The retirement system for federal civilian employees who were hired before January 1, 1984. CSRS includes CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent government retirement plans.

Contribution—A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by an agency or service.

Contribution Election—A request by a participant to start contributing to the TSP, to change the amount of his or her contribution to the TSP each pay period, or to terminate contributions to the TSP.

Conversion—See “Roth In-Plan Conversion.”

Designation of Beneficiary—The participant’s formal indication of who should receive the money in his or her account in the event of his or her death. (A will is not valid for the disposition of a participant’s TSP account.)

Distribution—Any payment you elect to receive from your TSP account as a separated or beneficiary participant.

Elective Deferral Limit—An annual dollar limit, established under the Internal Revenue Code (IRC) § 402(g), that limits the tax-deferred contributions and Roth contributions a participant can elect to make to employer-sponsored plans like the TSP. The limit can change each year.

Eligible Employer Plan—A plan qualified under Internal Revenue Code (IRC) § 401(a), including a § 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; an IRC § 403(a) annuity plan; an IRC § 403(b) tax-sheltered annuity; and an eligible IRC § 457(b) plan maintained by a government employer.

Federal Employees Retirement System (FERS)—The retirement system for federal civilian employees who were hired on or after January 1, 1984. FERS refers to the Federal Employees Retirement System, the Foreign Service Pension System, and other equivalent government retirement plans. FERS does not include the Retirement Plan for Employees of the Federal Reserve System.

Fixed Income Investments—Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Fund Transfer—The choice made by a participant to move money from one or more TSP funds to one or more other TSP funds. It is also used to move money to and from the mutual fund window.

Incentive Pay (Uniformed Services)—Pay set forth in Chapter 5 of USC title 37 (e.g., flight pay, hazardous duty pay).

Index—A broad collection of stocks or bonds which is designed to match the performance of a particular market. For example, the Standard & Poor’s 500 (S&P 500) is an index of large U.S. companies.

Index Fund—An investment fund that attempts to track the investment performance of an index.

In-Service Withdrawal—A disbursement made from a participant’s account that is available only to a participant who is still employed by the federal government, including the uniformed services.

Installments—Payments that the participant elects to receive each month, quarter, or year from his or her TSP account after separating from service. These installments can be of a fixed amount or an amount we calculate based on your life expectancy. (Note: In this case, as opposed to with an annuity, money remains in the TSP account and is paid out directly from the account.)

Investment Election—A participant’s choice that tells the TSP how contributions, rollovers, and loan payments that are going into his or her account should be invested among the TSP funds.

IRS Life Expectancy Tables—We use the IRS Single Life Table to calculate installments based on life expectancy for participants who have not yet reached the required minimum distribution (RMD) age when payments begin. These participants may choose to switch to the IRS Uniform Lifetime Table when they reach RMD age. This decision cannot be reversed. The Uniform Lifetime Table is for participants who have already reached the RMD age when payments begin. There is no option to switch to the Single Life Table for these participants.

Matching Contributions—See “Agency/Service Matching Contributions.”

Mutual Fund Window—One of the options for how to invest up to 25% of the money in your TSP account. With an initial investment of at least \$10,000, you can invest in any of the mutual funds available in our mutual fund window. Once you’ve made the election to invest in the mutual fund window, you independently select which mutual funds you want to invest in with that money. Fees apply to the mutual fund window that do not apply to investing in TSP funds.

My Account—The secure section of tsp.gov, where you can log in to your account to find out your account balance and perform transactions.

Nonpay Status—Payroll designation when a participant is actively employed by the federal government or uniformed services but not receiving regular pay because of administrative furlough, suspension, leave without pay (including leave without pay to perform military service), or pending resolution of a grievance or appeal.

Nontaxable Credit (NTC)—Money from a nontaxable balance in your TSP account that is not taxed when you take a withdrawal or distribution. NTCs include Roth contributions and qualified earnings on them, money converted from traditional to Roth through a Roth in-plan conversion and qualified earnings on them, tax-exempt contributions (and, if Roth, qualified earnings on them), and repayments of taxed loans. Note that if you make a withdrawal that includes converted money within five years of a Roth in-plan conversion, you must pay a 10% early withdrawal penalty tax to the IRS unless an exception applies. See the TSP booklet *Roth In-Plan Conversions* on tsp.gov for details.

Pay Status—Payroll designation when a participant is actively employed by the federal government or uniformed services and receiving regular pay.

Qualified Earnings—Earnings in a Roth TSP balance that are eligible to be paid out tax-free at withdrawal. Earnings are considered qualified as long as the following two requirements are met: (1) it has been 5 years since January 1 of the calendar year the participant made the first Roth TSP contribution and (2) the participant is at least age 59½, permanently disabled, or deceased. We cannot certify to the IRS that a participant meets the definition of disability when taxes are reported. The participant must provide the justification to the IRS when filing taxes. “Deceased” means that Roth earnings inherited after death automatically meet this condition—the Roth account must still meet the 5-year condition for earnings to be considered “qualified” and tax-free for beneficiaries. If a Roth balance was created with a Roth in-plan conversion, then that conversion was the first Roth contribution.

Reallocation—The choice made by a participant to reallocate his or her existing account balance among the available TSP investment funds.

Required Minimum Distribution (RMD)—The amount of money, based on a participant’s age and previous year’s TSP account balance, that the IRS requires be distributed to the participant each year, beginning in the year he or she has reached a specific age and is separated from service. For separated participants, only the traditional TSP balance is subject to RMDs. For beneficiary participants, the entire TSP account balance (traditional and Roth) is subject to RMDs. Rules for starting RMDs are different for beneficiary participants.

Roth Balance—The portion of your TSP account made up of Roth (after-tax) contributions, money converted from traditional to Roth through Roth in-plan conversions, and accrued earnings. Portions of this balance may have originated from tax-exempt pay.

Roth Contributions—Contributions from pay that has already been taxed (or from tax-exempt pay) and that has been deposited to a Roth balance.

Roth In-Plan Conversion—A transaction that allows a participant to convert a portion of money from a traditional TSP balance to a Roth TSP balance within the TSP account. See the TSP booklet *Roth In-Plan Conversions* on tsp.gov for details.

Roth IRA—An individual retirement account that is described in § 408A of the Internal Revenue Code (IRC). A Roth IRA provides tax-free earnings. You must pay taxes on the funds you roll over from your traditional balance to a Roth IRA; the tax liability is incurred for the year of the rollover.

Securities—A general term describing a variety of financial instruments, including stocks and bonds.

SIMPLE IRA—Savings Incentive Match Plan for Employees of Small Employers, an employer-sponsored retirement plan available to small businesses. A TSP participant can roll over money from a SIMPLE IRA to the TSP, as long as he or she participated in the SIMPLE IRA for at least two years.

Special Pay (Uniformed Services)—Pay set forth in Chapter 5 of United States Code (USC) title 37 (e.g., medical and dental officer pay, hardship duty pay, career sea pay).

Stocks—Equity securities issued as ownership in a publicly held corporation.

Tax-Exempt Contributions—Contributions that can be made to the TSP by members of the uniformed services from pay that is covered by the combat zone tax exclusion.

Traditional Balance—The portion of your TSP account made up of your pre-tax TSP contributions, plus agency contributions, and accrued earnings. Portions of this balance may have originated from tax-exempt pay.

Traditional Contributions—Contributions from pay that has not yet been taxed. Also referred to as “tax-deferred,” “pre-tax,” or “non-Roth” contributions. Traditional contributions also include contributions to a traditional balance from tax-exempt pay earned in a combat zone.

Traditional IRA—A traditional individual retirement account described in § 408(a) of the Internal Revenue Code (IRC), or an individual retirement annuity described in IRC § 408(b). It does not include a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA).

Uniformed Services Members—**1.** Active-duty members of the Army, Navy, Air Force, Marine Corps, and Coast Guard. **2.** Members of the Ready Reserve and National Guard in any pay status. **3.** Active-duty members of the commissioned corps of the National Oceanic and Atmospheric Administration and the commissioned corps of the Public Health Service.

Vesting—Receiving ownership of all money in an account. Vesting only applies to the Agency/Service Automatic (1%) Contributions (and their earnings) and occurs after a participant works in the federal government or uniformed services for a certain number of years. All years of service in a position eligible for the TSP count toward vesting, even if the participant doesn’t contribute to the TSP during that time. Civilian service does not count toward vesting in a uniformed services (BRS) account, and uniformed service does not count toward vesting in a civilian account.

Volatility—The amount of change (both up and down) in an investment’s value over time.

Withdrawal—See “In-Service Withdrawals.”

