# Thrift Savings Plan (TSP)

The Thrift Savings Plan (TSP) is a Federal Government-sponsored retirement savings and investment plan. Congress established the TSP in the Federal Employees' Retirement System Act of 1986. The purpose of the TSP is to provide retirement income.

On October 30, 2000, the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398) was signed into law. One provision of the law extended participation in the TSP, which was originally only for Federal civilian employees, to members of the uniformed services.

The TSP is a **defined contribution** plan. The retirement income that service members receive from their TSP account will depend on how much they have contributed to the account during their working years, and the earnings on those contributions.

The TSP offers the same type of savings and tax benefits that many private corporations offer their employees under so-called "401(k)" plans. TSP regulations are published in title 5 of the Code of Federal Regulations, Parts 1600-1699, and are periodically supplemented and amended in the Federal Register.

Active duty members can contribute up to 8 percent of their basic pay each pay period to their TSP account. If they contribute to the TSP from their basic pay, they may also contribute from one to 100 percent of any incentive pay or special pay (including bonus pay) they receive, up to the limits established by the Internal Revenue Code.

**What are spouses' rights under the TSP?**

The law gives certain rights to the spouse (including a separated spouse). The TSP must take these rights into consideration when the service member withdraws or borrows from their account.

The TSP will take action to prosecute any participant who denies (or attempts to deny) his or her spouse these rights by, for example, forging the spouse's signature.

- **Borrowing from the TSP account —** If service members are married, they must obtain the consent of their spouse before they can receive a TSP loan. (The spouse's consent does not make him or her a co-signer of the loan or obligate the spouse to repay the loan.)

- **Making an in-service withdrawal —** The service member must obtain their spouse's consent to an in-service withdrawal, regardless of the amount, before the withdrawal can be approved.

- **Making a withdrawal after separation from military service —** After the service member separates from service, spouses' rights provisions apply only if the account is more than $3,500. If the service member is married, the spouse is entitled to a joint and survivor annuity with 50 percent survivor benefit, level payments, and no cash refund feature. If the service member chooses a withdrawal method other than the prescribed survivor annuity, the spouse must waive his or her right to that annuity. If the service member does not elect the prescribed annuity, or does not obtain their spouse's waiver by the date on which they are required to make an election, then TSP is required to purchase the prescribed joint and survivor annuity for the service member and their spouse with the TSP account. If the service member does not provide the necessary information for the TSP to purchase an annuity, the account will be declared abandoned.

**Are there any exceptions to the spouses' rights requirements?**

Under certain circumstances, an exception may be granted to the spouses' rights requirements. To apply for an exception, complete Form TSP-U-16, Exception to Spousal Requirements, and submit it with the required documentation to the TSP Service Office at the address on the form. Get Form TSP-U-16 from the TSP Web site or from the base TSP representative.
The following chart summarizes the TSP spousal requirements and exceptions.

| Spouses' Rights | | |
|---|---|---|
| **Activity** | **Requirement** | **Exceptions** |
| **Loan** | Spouse must give written consent to the loan. | Whereabouts unknown or exceptional circumstances. |
| **In-Service Withdrawal** | Spouse must give written consent to the withdrawal. | Whereabouts unknown or exceptional circumstances. |
| **Post-Employment Withdrawal*** | Spouse is entitled to a joint life annuity with 50% survivor benefit, level payments, and no cash refund feature unless he or she waives this right. | Whereabouts unknown or exceptional circumstances. |

* Spouses' rights apply only to accounts of more than $3,500.

**How does a court order affect the TSP account?**

In addition to the above spouses' rights provisions, the TSP account is subject to certain matrimonial court orders. These are court decrees of divorce, annulment, or legal separation, or the terms of court-approved property settlements incident to any court decree of divorce, annulment, or legal separation. In order to be considered qualifying and thus enforceable against the TSP, the order must meet the requirements stated in Board regulations (5 C.F.R. Part 1653). The account is also subject to the enforcement of legal obligations to make alimony and child support payments, and to satisfy judgments against the service member for child abuse.

If the TSP receives a document that purports to be a qualifying order or legal process for the enforcement of back payment of alimony or child support, the account will be frozen for loans and withdrawals. In order to authorize payment from the account, a qualifying court order must clearly identify the TSP account and must describe the award to the spouse, former spouse, or other party in such a way that the amount of the award can be definitively calculated.
If the service member has two TSP accounts, the court order must clearly identify the account to which the order/award applies.

**Designating the TSP contribution into funds**

Once service members are enrolled in TSP, they can elect to divide the TSP contribution among five different investment funds. A description of the funds follows.

1) The Government Securities Investment "G" Fund

> This fund is known for being the safest investment of the five funds since the only way it will lose money is by some catastrophic event -- say if the federal government defaults on its loans. But with low risk usually comes a lower interest rate or rate of return. For instance, this fund has gone up more than 6 percent in the past 10 years. In some investment circles, it's safety and earnings make it comparable to a savings account. The G Fund invests in specially issued short-term, non-marketable U.S. Treasury securities.

2) The Fixed Income Index Investment "F" Fund

> Essentially, the F Fund is higher risk than the G Fund, but is still considered a low-risk investment because it is spread over many generally stable investments. Even if a corporation were to declare bankruptcy, the loss would be minimal. According to the TSP web site, this fund has gone up more than 7 percent in the past 10 years. Putting one's money into the F Fund is an investment in the Barclays U.S. Debt Index Fund, which tracks the bond-market. A mathematical model determines the amount in which this fund distributes investor's money amongst the various types of U.S. government, mortgage-backed, corporate and foreign government sector securities.

3) The Stock Index "C", "S", and "I" Funds

> These funds give TSP participants the opportunity to diversify their investments among a broad range of stocks. In addition, because the C, S, and I Funds are invested in broad-based *index funds*, they provide the opportunity to earn the relatively high investment returns that are sometimes available from stocks, while at the same time lessening the effect of poor investment performance by an individual company or industry.

Furthermore, the TSP stock index funds have relatively low investment management fees and trading costs.

For return rates and more information about the C, S, and I Funds, go to http://www.tsp.gov/uniserv/features/chapter09.html#top

Find more details about the Thrift Savings Plan at http://www.tsp.gov/index.html