Transfers or Roll Overs to Your Thrift Savings Plan from Other Retirement Plans

The Thrift Savings Plan (TSP) can accept transfers (or rollovers) of eligible distributions from any eligible retirement plan, including a traditional IRA and an eligible employer plan (or its designated financial institution).

Only TSP participants who have open accounts can transfer money into the TSP. This includes participants who are separated from Federal civilian service or the uniformed serv ices. Participants cannot open a TSP account by transferring funds to the TSP.

What distributions will the TSP accept?

The TSP will accept distributions from any eligible retirement plan, as defined in Internal Revenue Code (IRC) § 402(c)(8)(B). An eligible re¬tirement plan includes a traditional IRA, a SIMPLE IRA, and an eligible employer plan as defined below. To be accepted by the TSP, distribu¬tions must meet different requirements depending on whether they are from a traditional IRA, a SIMPLE IRA, or an eligible employer plan. Before submitting this form, a TSP participant who would like to trans¬fer or roll over money into the TSP should check with a representative of his or her IRA or plan to determine what portion of a distribution (if any) meets the applicable requirements, as described below.

Note: Participants are required to certify that the distribution they are seeking to transfer or roll over into the TSP meets the applicable requirements. If you cannot sign the certification, the TSP cannot accept your transfer or rollover.

Traditional IRA. This is an individual retirement account described in IRC § 408(a) or an individual retirement annuity described in IRC § 408(b). The traditional IRA category does not include a Roth IRA, an inherited IRA, or a Coverdell Education Savings Account (formerly known as an education IRA); distributions from these types of IRAs will not be accepted by the TSP.

The TSP will accept all or a portion of a distribution from a traditional IRA **except** a distribution that:

• is a minimum distribution required by IRC § 401(a)(9); or

• consists of after-tax balances (i.e., money that has already been subjected to Federal income tax).

SIMPLE IRA. This is a Savings Incentive Match Plan for Employers, an employer-sponsored retirement plan available to small businesses. A TSP participant can transfer an amount from a SIMPLE IRA to the TSP, as long as he or she participated in the SIMPLE IRA for at least two years. Note: The TSP must receive written documentation show¬ing the period of your participation in a SIMPLE IRA.

Eligible Employer Plan. This is a plan qualified under 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) an¬nuity plan; an IRC § 403(b) tax-sheltered annuity; or an eligible IRC § 457(b) plan maintained by a governmental employer. To be ac¬cepted into the TSP, the distribution from an eligible employer plan must be an "eligible rollover distribution."

An eligible rollover distribution is a distribution to a participant of all or a portion of his or her account. However, it cannot be:

• one of a series of substantially equal periodic payments made over the life expectancy of the employee (or the joint lives of the employee and designated beneficiary, if applicable), or for a pe¬riod of 10 years or more;

• a minimum distribution required by IRC § 401(a)(9);

• a hardship distribution;

• a plan loan that is deemed to be a taxable distribution because of default; or

• a return of excess elective deferrals.

Examples of eligible rollover distributions include: a lump sum dis-tribution after terminating employment; an age-based in-serv ice withdrawal; a final single payment after a series of monthly payments; monthly payments lasting less than 10 years; death benefit payments; or payments made to a spouse or former spouse pursuant to a quali¬fied domestic relations order (QDRO). For Federal civilian employees, an eligible rollover distribution may also include some retirement benefits administered by the Office of Personnel Management (for example, the taxable portion of the Alternative Form of Annuity (AFA) or interest on lump sum retirement credits).

All of the money transferred to the TSP must be money that would have been included in the participant's gross income for the tax year in which the transfer was made, had the money been distributed without being transferred or rolled over. In other words, the TSP will not ac-cept transfers or roll overs of after-tax balances (i.e., money that has already been subjected to Federal income tax). The TSP also will not accept tax-exempt balances (i.e., money that is never subject to Fed¬eral income tax) into a civilian TSP account from a uniformed services TSP account.

What is the difference between a "transfer" and a "rollover"?

A **transfer** (also known as a "direct rollover") occurs when the participant instructs a traditional IRA, SIMPLE IRA, or eligible employer plan to send all or part of his or her eligible distribution directly to the TSP instead of issuing it to him or her.

A **rollover** occurs when the IRA or eligible employer plan makes a distribution to the participant (after withholding the applicable Federal income tax) and the participant deposits all or any part of the gross amount of the distribution into the TSP within 60 days of receiving it.

How much can a participant transfer or roll over into the TSP?

A participant can transfer or roll over into the TSP all or any part of a distribution that meets the applicable requirements (described above) and that does not include after-tax or tax-exempt balances. If the distribution is made to the participant, an IRA may withhold taxes; an eligible employer plan must withhold taxes before making the distribution. The participant can roll over the entire amount of the distribution, including any amount that was withheld for taxes, by making up with personal funds the amount that was withheld. If, at a later date, it is determined that the funds were an ineligible rollover or transfer, the funds will be removed from the account and returned to the sender.

Note: Any portion of the distribution that the participant chooses not to transfer or roll over will be taxed as ordinary income. In addition, if the participant is younger than 59 1/2 at the time of distribution, he or she may have to pay a 10% early withdrawal penalty tax on the amount that was not transferred or rolled over.

There is no limit to the number of transfers or rollovers into the TSP that a participant can make.

How does the annual elective deferral limit affect transfers?

Money that is transferred or rolled over into the TSP is not applied to the annual elective deferral limit that is imposed on regular employee contributions.

How does a transfer affect monthly payments?

If you are receiving monthly payments when you transfer or roll over money into your TSP account, the TSP will recalculate the duration of your monthly payments beginning with the first payment you receive in the year following the transfer. If you are receiving payments:

• Of a specific dollar amount, the recalculation will occur only if you transferred $1,000 or more, and only the duration of your payments will be affected. However, your tax withholding and eligibility to transfer payments to an IRA or eligible plan may change.

• Based on life expectancy, the recalculation should increase the amount of each payment.

What happens to the money once it reaches the TSP?

Money that is transferred or rolled over into the TSP is allocated to the TSP funds according to the participant's most current contribution allocation on file. Once the funds are posted to the participant's TSP account, they are treated like employee contributions and will be subject to the same plan rules as all other employee balances in the account. These rules may be different from the rules of the IRA or plan.

Note: Because the TSP accepts only funds that have never been taxed, funds transferred into the TSP will be subject to taxation when they are eventually distributed to the participant. Therefore, you must make sure you are asking the TSP to accept only funds that have not already been taxed.

Revised: 03/07/12. Source: TSP-60 12/10

http://www.myfederalretirement.com/public/135.cfm