



THRIFT SAVINGS PLAN FACT SHEET

Effect of Nonpay Status on TSP Participation

This fact sheet is for civilian employees who are placed in nonpay status (e.g., furlough or leave without pay) for one or more pay periods and for uniformed services members who do not receive pay each month (e.g., members of the Ready Reserve who do not drill each month and therefore do not receive pay each month).¹ For purposes of this fact sheet, the term “nonpay status” refers not only to civilian nonpay status, but also to non-receipt of pay by the uniformed services.

This fact sheet does not apply to employees who are in nonpay status performing an assignment with a state or local government agency under the provisions of the Intergovernmental Personnel Act (IPA), or to employees who are in nonpay status serving as full-time officers or employees of a union. If you are in nonpay status for one of these reasons, see your personnel office for information about your TSP participation.

Can I contribute to my TSP account if I am in nonpay status?

No. Employee contributions to TSP accounts must be made as deductions from civilian or uniformed services pay. Consequently, if you are in nonpay status for one or more pay periods, you cannot contribute to your TSP account for these period(s).

If you are a civilian employee in nonpay status to perform military service and have a uniformed services TSP account, you may make contributions to that account. These contributions are deducted from your uniformed services pay. In addition, when you return to civilian pay status, you may be entitled to make up TSP contributions to your civilian account. See the fact sheet “TSP Benefits That Apply to Members of the Military Who Return to Federal Civilian Service” for more information about making up TSP contributions.

What if I am receiving workers’ compensation?

Workers’ compensation benefits are payments made by the Department of Labor’s Office of Workers’ Compensation Programs (OWCP) and, by law, are not payments from which TSP contributions may

be made. Consequently, you cannot contribute to your TSP account, nor can you make loan payments, while you are in nonpay status and receiving OWCP benefits.

Will I receive agency contributions if I am in nonpay status?

No. Agency Automatic (1%) Contributions made to the TSP accounts of employees covered by FERS² must be determined by using the basic pay earned by the employees during the pay period. Agency Matching Contributions are made to the TSP accounts of FERS employees only if the employees make their own contributions for the pay period. Consequently, if you are in nonpay status for one or more pay periods, you will not receive agency contributions for those pay periods.

Can I make a TSP contribution election if I am in nonpay status?

Yes. You may file a TSP contribution election with your agency or service any time during a TSP open season. Your agency or service will process this

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¹ Most uniformed services members will never be in a nonpay status.

² FERS refers to the Federal Employees’ Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

election even though no contributions can be made to your account while you are in nonpay status. As soon as your pay resumes, your TSP contributions will be deducted based upon your most recent contribution election.

Can I make interfund transfers and contribution allocations if I am in nonpay status?

Yes. An interfund transfer is the movement of some or all of your **existing** account balance among the five TSP investment funds. Consequently, you may make interfund transfers just like participants in pay status.

A contribution allocation affects the investment of future contributions and loan payments made to your account. You may make contribution allocations just like participants in pay status, but until future deposits are made to your account, the contribution allocation will have no effect.

Can I receive a TSP loan while I am in nonpay status?

No. When a loan is issued, payroll deductions to repay your TSP loan are established by your Federal civilian or uniformed services payroll office. Therefore, if you are not currently receiving pay, you will not be able to apply for, or receive, a TSP loan.

What if I have a TSP loan and I am placed in nonpay status?

Because TSP loan payments are made through payroll deductions, a period without pay will result in missed payments.

If you go into approved nonpay status, loan payments can be suspended for the nonpay period, but only up to one year, because of Internal Revenue Service (IRS) requirements. Interest will accrue while your payments are suspended.

A special rule applies if you enter nonpay status to perform military service. In that case, you will be permitted to suspend payments on your loan until you return to pay status even if this is longer than one year. (You cannot repay your civilian TSP loan by making loan deductions from your uniformed services pay.) If you (or your agency) do not provide proper notice of your period of military service, the suspension in loan payments cannot exceed the one-year period described above.

When you begin your period of nonpay status, you, your service, or your agency must submit documentation to the TSP. Documentation consists of:

- Form TSP-41 (for civilians) or Form TSP-U-41 (for uniformed services), Notification to TSP of Nonpay Status; **or**
- Form SF-50, Notification of Personnel Action; **or**
- A letter on agency or service letterhead, signed by an appropriate agency official, or your commander or adjutant, and containing your name, date of birth, and Social Security number; the beginning date of the nonpay status; and the signature and title of the agency or service representative providing the information.

When you return from nonpay status, you **and** your service or agency must notify the TSP of your date of return. You can send Form TSP-41 or TSP-U-41, Form SF-50, or a letter from your agency or service, as described above.

Your TSP payments must resume when you return to pay status (or at the end of one year of nonpay status, even if you have not returned to pay status). If your loan payments have not been kept up to date, your loan will be reamortized automatically when your agency or service informs the TSP that you have returned to pay status (or at the beginning of the quarter following the expiration of your one-year limit, whichever is sooner, even if you have not returned to pay status).

If your current loan payment amount will repay your loan in full by the maximum time limit (5 years for a general purpose loan; 15 years for a residential loan), your loan payment amount will not be changed. However, if your current loan payment amount will not repay the amortized loan in full by the maximum time limit, your loan payment amount will be increased to repay the loan within the limit.

However, if you are a civilian TSP participant and you go into nonpay status to perform military service, the term of your loan will be extended by the length of your military service even if this extension exceeds your original maximum time limit.

If you are on approved leave without pay to work full time for an employee organization under which your TSP contributions may continue, or if you are on an Intergovernmental Personnel Act (IPA) assignment, your loan payments must continue. Contact the TSP Service Office for instructions.

Can I make direct payments on my loan from my personal funds while I am in nonpay status?

Yes. If you are in nonpay status (either as a civilian or as a member of the uniformed services) and you want to continue making payments, you can do so by sending a personal check or money order to the TSP record keeper. Use the Loan Payment Coupon when you send in your payments. (The Loan Payment Coupon is available from the TSP Web site.)

Any loan payments received by the TSP during the nonpay period will be taken into account when the loan is reamortized.

Can I make an in-service withdrawal while I am in nonpay status?

Yes. While you are in nonpay status, you can request an in-service withdrawal. There are only two types of

in-service withdrawals: age-based withdrawals for participants who are age 59½ or older, and withdrawals for financial hardship. If you request a financial hardship withdrawal, you must be able to certify (under penalty of perjury) to your financial need and the amount of that need. The funds withdrawn while you are in service are taxable and an early withdrawal penalty tax may apply. Read the booklet *TSP In-Service Withdrawals* for information and rules pertaining to in-service withdrawals.

Can I make a post-employment withdrawal while I am in nonpay status?

No. While you are in nonpay status, you are still a civilian employee or uniformed services member. You are not eligible to make a post-employment withdrawal until you separate from civilian service or the uniformed services.