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Employee Benefits Security Administration

Performance Audit of the Thrift Savings Plan Withdrawals Process

September 10, 2020

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EXECUTIVE SUMMARY

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As part of the U.S. Department of Labor Employee Benefits Security Administration (EBSA) Fiduciary Oversight Program, we conducted a performance audit of the Thrift Savings Plan (TSP) withdrawals process. Our fieldwork was performed remotely from March 2, 2020 through July 10, 2020, in coordination with personnel primarily from the Federal Retirement Thrift Investment Board Staff's (Agency) headquarters in Washington, DC. Our scope period for testing was January 1, 2019 through December 31, 2019.

We conducted this performance audit in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants' *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. Criteria used for this audit are defined in the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes United States Code (USC) Title 5, Chapter 84 and the Code of Federal Regulations (CFR) Title 5, Chapter VI.

The objectives of our audit over the TSP withdrawal process were to:

- Determine whether the Agency implemented certain procedures to (1) process TSP withdrawal transactions promptly and accurately in individual participant accounts, (2) process authorized participant payments in accordance with applicable Agency regulations, and (3) accurately record withdrawals activity in the TSP accounting records;

- Test compliance of the TSP withdrawal process in accordance with 5 USC Sections 8424(d), 8433, and 8435 (hereinafter referred to as FERSA), 5 CFR Parts 1650, 1651, and 1653 (hereinafter referred to as Agency Regulations), and Public Laws 114-26 and 115-84; and

- Determine the status of the prior EBSA TSP open recommendations reported in *Performance Audit of the Thrift Savings Plan Withdrawals Process,* dated January 18, 2018.

The current engagement produced no new recommendations.

Based upon the performance audit procedures conducted and results obtained, we have met our audit objectives. We conclude that for the period January 1, 2019 through December 31, 2019, the Agency implemented certain procedures to (1) process TSP withdrawal transactions promptly and accurately in individual participant accounts; (2) process authorized participant withdrawal payments in accordance with regulations; and (3) accurately record withdrawal activity in the TSP accounting records. In addition, as a result of our audit procedures, we determined that the Agency implemented regulations and procedures necessary to effect the requirements of the TSP Modernization Act. As a result of compliance testing, we did not identify any instances of noncompliance with FERSA, Agency Regulations, or Public Laws 114-26 and 115-84.

We also reviewed eight prior EBSA recommendations related to the TSP withdrawals process to determine their current status. Section III.B documents the status of these prior recommendations. In summary, six recommendations have been implemented and closed, and two recommendations have not been implemented but were closed.

This performance audit did not constitute an audit of the TSP's financial statements in accordance with *Government Auditing Standards*. KPMG was not engaged to, and did not render an opinion on the Agency's internal controls over financial reporting or over financial management systems. KPMG cautions that projecting the results of this audit to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

While we understand that this report may be used to make the results of our performance audit available to the public in accordance with *Government Auditing Standards*, this report is intended for the information and use of the U.S. Department of Labor Employee Benefit Security Administration, Members of the Federal Retirement Thrift Investment Board, and Agency management. The report is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

September 10, 2020

I. BACKGROUND OF THE WITHDRAWALS PROCESS

A. The Thrift Savings Plan

Public Law 99-335, the Federal Employees' Retirement Systems Act of 1986 (FERSA), as amended, established the Thrift Savings Plan (TSP). The TSP is a basic component of the Federal Employees' Retirement System (FERS) and provides a Federal (and, in certain cases, state) income tax deferral on employee contributions and related earnings. The TSP is available to Federal and Postal employees, members of Congress and certain Congressional employees, and members of the uniformed services. The TSP began accepting contributions April 1, 1987, and as of December 31, 2019 had approximately $633 billion in assets and approximately 5.9 million participants[1].

The FERSA also established the Federal Retirement Thrift Investment Board (Board) and the position of Executive Director. The Executive Director manages the TSP for its participants and beneficiaries. The Board's Staff (Agency) is responsible for administering TSP operations.

B. TSP Withdrawal Requirements[2]

Eligibility to Remain in the TSP

Upon separation from Federal Service, participants with a vested account balance of $200 or more, have the option to leave the entire balance in the TSP or to make a withdrawal. If the participant chooses to leave the balance in the TSP, the account will continue to accrue earnings and the separated participant continues to have the ability to change how the money in the account is invested by making interfund transfers. Once separated, contributions to the account are no longer accepted and loans from the account are no longer permitted. However, the separated participant has the ability to transfer funds into the TSP from an Individual Retirement Account (IRA) (i.e., a traditional or Roth IRA) or an eligible employer plan. Once a participant reaches the age of 70 ½, there is a required minimum distribution[3], which will be discussed further below, if the participant has not made a withdrawal election.

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1 Source: Minutes of the January 2020 Federal Retirement Thrift Investment Board Meeting, posted on www.frtib.gov

2 Source: Withdrawing Your TSP Account After Leaving Federal Service, September 2019.

3 The Setting Every Community Up for Retirement Enhancement Act (SECURE) of 2019, passed on December 20, 2019, changes the age at which participants must start taking required minimum distributions from 70 ½ to 72.

TSP Post-Separation Withdrawals

When participants separate from Federal service, they are eligible to withdraw their vested account balance from the TSP while non-vested amounts are forfeited to the TSP. FERS participants and members of the uniformed services covered by the Blended Retirement System (BRS) must work for two to three years (dependent on position held) to vest in the Agency Automatic (1%) contributions and the related earnings; however, they are always vested in their own contributions, agency matching contributions, and the related earnings. If a participant dies before leaving Federal service, the entire TSP account is vested automatically. Civil Service Retirement System (CSRS) and uniformed services participants not covered by the BRS are always vested in all the money in their accounts regardless of the source of the contributions and related earnings.

If a participant has separate civilian and uniformed service TSP accounts, the participant can make a post-separation withdrawal only from the account associated with the participant's separation. If both accounts have separation dates, a post-separation withdrawal can be made from each account.

If a participant separates from Federal civilian employment or the uniformed services and then is reemployed by the Federal Government with a break in service of less than 31 full calendar days, the participant is not eligible to withdraw his/her TSP account. If a participant's break in service is 31 or more full calendar days, he/she is eligible to withdraw his/her TSP account. However, the withdrawal of the account must take place while the participant is separated from service.

Effective September 15, 2019, the TSP implemented new withdrawal options and processes for separated and beneficiary participants as a result of the TSP Modernization Act of 2017 (the Act). In addition, the following TSP withdrawal forms were replaced by the Form TSP-99, *Withdrawal Request for Separated and Beneficiary Participants*: TSP-70/TSP-U-70, *Request for Full Withdrawal*, Form TSP-77/TSP-U-77, *Request for Partial Withdrawal When Separated*, Form TSP-79, *Change From Monthly Payments to Final Payment*, and Form TSP-90, *Withdrawal Request for Beneficiary Participants*.

<u>Automatic Cash-out</u>

If a participant's vested account balance is less than $200 but more than $4.99, the balance is automatically paid directly to the participant in a single payment. The TSP system is configured to identify accounts of participants who have been separated for at least 31 days and have a vested balance that is less than $200 but more than $4.99, and initiate payment to the participant. No notification is made prior to the disbursement. The account balance is paid automatically after the "separated" employment code is received from the participant's employing agency. The TSP will not withhold any amount for Federal income tax if the total withdrawals from the account throughout the year of the cash-out add up to less than $200. Account balances of $4.99 or less are forfeited to the TSP; however, participants can request a restoration and payment of the forfeited balance.

Partial Withdrawal

Separated participants have the option of taking withdrawals for a portion of their TSP accounts while leaving the remainder in the TSP until a later date. Prior to implementation of the Act, separated participants could take a one-time only partial withdrawal. However, if a participant received an age-based in-service withdrawal (during his or her active employment with the Federal government) or a partial withdrawal from a prior period of employment, the participant was not eligible for a partial withdrawal upon separation. Effective September 15, 2019, participants may now take multiple post-separation withdrawals, as long as there are at least 30 calendar days between each request. In addition, a prior age-based in-service withdrawal does not prevent participants from taking post-separation partial withdrawals. Separated participants can request a partial withdrawal by submitting Form TSP-99. Participants can take partial withdrawals in a single payment, a series of installment payments, or an annuity, as follows:

1. Single Payment – Participants can take a partial withdrawal of their account balance in a single payment. When choosing this option, participants can opt to receive a direct payment via either check or EFT transfer or can request a transfer of all or any percentage of the single payment to an IRA or other eligible employer plan. The minimum amount that can be partially withdrawn is $1,000; if the vested account balance is less than $1,000, the participant must submit a request for a total withdrawal. The single payment percentage not transferred to an IRA or other eligible employer plan, is subject to the mandatory 20 percent Federal income tax withholding. Any tax deferred RMD amounts are subject to 10 percent tax withholding and cannot be transferred. Participants can choose to increase their amount of tax withheld but are not allowed to decrease or waive it.

2. Installment Payments – Installment payments are available only for partial withdrawals. The participant can choose one of two installment payment options:

    - Option 1: Installment payments computed by the TSP based on IRS life expectancy tables where the initial payment is based on the account balance at the time of the first payment and the participant's age. The TSP recalculates the amount of installment payments each year based on the account balance at the end of the preceding year and the participant's age. The installment payments are subject to Federal tax withholding that is the equivalent of the participant being married with three dependents and no rollover option allowed. The participant has the option to increase, decrease, or waive withholding.

- Option 2: Installment payments based on a specific dollar amount that is paid to the participant until the entire vested balance has been paid. The amount of the installment payment requested must be $25 or more. If the payments are expected to last less than 10 years and are not related to a RMD, the payments are subject to the mandatory 20 percent Federal tax withholding which cannot be decreased or waived. If the payments are expected to last 10 or more years, they are subject to Federal tax withholding that is the equivalent of the participant being married with 3 dependents and no rollover option allowed. Any tax deferred RMD amounts are subject to a 10 percent tax withholding.

Prior to implementation of the Act, participants could elect to receive monthly installment payments only, and could not take partial withdrawals while receiving installment payments. Effective September 15, 2019, participants can now receive installment payments monthly, quarterly, or annually, and can stop or change these payments at any time. In addition, participants are now able to take partial withdrawals while receiving installment payments.

If the participant would like to make changes to his or her selected installment payment option, the participant must submit Form TSP-95, *Changes to Installment Payments* to the TSP. Effective September 15, 2019, this form replaced the TSP-73/TSP-U-73, *Change in Monthly Payment Amount* and Form TSP-78, *Monthly Payments Maintenance*. The Form TSP-95 is used to:

- Stop receiving installment payments;
- Change the tax withholding for installment payments;
- Begin transferring eligible installment payments or change the portion of each installment payment that is transferred to an IRA or other eligible employer plan;
- Select a different IRA or other eligible employer plan;
- Begin direct deposit of the portion currently sent to them via check, or stop direct deposits and begin receiving checks;
- Choose a different financial institution, checking account, or savings account that is

currently receiving the installment payments;

- Request a change to the dollar amount of his/her installment payment or a one-time change during the life of the account from the IRS life expectancy payments to a specified dollar amount (a participant does not have the option to change from a specified dollar amount to IRS life expectancy payments);
- Change the source of payments (traditional, Roth, or both); or
- Change the frequency of specified dollar amount payments (monthly, quarterly, or annual).

A participant does not have the option to change from a specified dollar amount to IRS life expectancy payments. If a participant makes a change to his/her payment amount, the TSP must determine whether the change results in the participant receiving fewer than 120 payments. If so, the installment payments will be categorized as eligible rollover distributions and will be treated the same way as a final single payment for federal income tax purposes. If the change results in 120 payments or more, the installment payments will be treated as "periodic payments" and the tax withholdings will be based on IRS withholding requirements for a person who is married with three dependents. Participants can elect to change their withholding amount through Form TSP-95 or IRS Form W-4P, *Withholding Certificate for Pension or Annuity Payments*.

3. Life Annuity – Participants can take a partial withdrawal of their account balance to purchase a life annuity. To be eligible, the participant's vested balance must be at least $3,500. If participants have both a traditional and Roth balance in their TSP account, the $3,500 minimum requirement applies to each balance separately. The TSP purchases annuities for participants through the contracted annuity provider, which is currently [redacted] The three general types of annuity options are Single Life Annuity, Joint Life with Spouse, and Joint Life with Other than Spouse.

Consistent with all withdrawals, the partial withdrawal is deducted proportionally from each TSP investment fund in which the participant is invested at the time of disbursement. Prior to implementation of the Act, the withdrawal was also deducted from the participant's vested account balance proportionally from each contribution source, as applicable, (i.e., employee traditional or Roth). Effective September 15, 2019, participants are now able to elect whether the withdrawal is deducted from their Roth balance only, their traditional balance only, or proportionally from both. The participant may also be subject to an early withdrawal penalty tax of 10 percent if the participant is not at least age 59 ½ at the time of withdrawal[4]. The penalty tax is not withheld by the TSP but is paid by the participant, if required; at the time they file their federal tax return. Additionally, partial withdrawals are an eligible rollover distribution in which the participant may request a transfer of all or a portion of the partial payment to an IRA or other eligible employer plan (subject to Internal Revenue Service (IRS) rules) unless the participant has RMD amounts ineligible for rollover or installment payments lasting 10 years or more. In order for the Agency to process the transfer request, the participant must complete the Form TSP-99 and have the form certified by the financial administrator of the plan/IRA prior to submission to the TSP. Amounts transferred to an IRA or other eligible employer plan retain their tax-deferred status.

For partial withdrawals, the TSP has spousal consent and notification requirements for married participants. For married FERS or uniformed services participants, spousal consent is required regardless of the account balance or the amount of withdrawal; the participant's spouse must sign the related section of the Form TSP-99, and the spouse's signature must be notarized prior to submission to the TSP. For married CSRS participants, the TSP must notify the spouse of the withdrawal election, regardless of the account balance or the amount of withdrawal. For FERS or uniformed services participants, two exceptions can be made to the spousal consent rule: a) the whereabouts of the spouse is unknown, or b) exceptional circumstances exist. In both cases, a Form TSP-16, *Exception to Spousal Requirements*, must be completed. For married CSRS participants, the only exception to the spousal notification rule is if the participant does not know the whereabouts of his/her spouse, in which case a Form TSP-16 must be completed.

Total Withdrawal

Separated participants have the option of withdrawing their entire vested account balance. A total withdrawal is initiated via the completion of Form TSP-99, and includes three options: a single payment, an annuity, or a combination of the two. The rules for each option as discussed above still apply in instances where a combination withdrawal is elected (i.e. specified dollar amounts, taxes, etc.).

Participants are required to select one of the three options discussed above on their submission of Form TSP-99. For married FERS, CSRS, and uniformed service participants requesting total withdrawals, including combination withdrawals, spouses' rights requirements apply only if the account balance is more than $3,500. If a married FERS or uniformed service participant with an

[4] There are exceptions to the penalty tax requirements (i.e. public safety participants over age 50 are exempt from the penalty tax).

account balance exceeding $3,500 elects a total withdrawal and does not request that the entire account balance be used to purchase a joint life annuity with 50 percent survivor benefit, level payments, and no cash refund feature, the spouse must waive this right by signing the Form TSP-99, and the spousal signature must be notarized. For a married CSRS participant with an account balance exceeding $3,500 electing a total withdrawal, the TSP must notify the participant's spouse of the withdrawal election. The spousal exceptions are the same as noted above in the Partial Withdrawal section. The participant may also be subject to an early withdrawal penalty of 10 percent if the participant is not at least age 59 ½ at the time of withdrawal or is not classified as a Public Safety Employee.

Required Minimum Distributions

The Internal Revenue Code (IRC) requires that participants, who have separated from service, receive a portion of their TSP account beginning the calendar year they become age 70 ½ (first distribution year) but no later than April 1st of the year following the year the participant becomes 70 ½ (second distribution year). Thus, if the participant separates after age 70 ½, his/her account is immediately subject to the IRC minimum distribution requirements.

Prior to implementation of the Act, if the participant did not withdraw or begin withdrawing his/her account by April 1 of the second distribution year, the account was forfeited to the TSP. Effective September 15, 2019, participants are no longer required to make a full withdrawal election once they have turned 70½ and have separated from federal service. If a participant does not make an election to withdraw his/her account balance or begin receiving payments from his/her account before or during the first distribution year, the TSP must automatically send the required minimum distribution (RMD) to the participant by April 1 of the second distribution year. RMD payments cannot be transferred or rolled over. The TSP system calculates the RMD based on the participant's account balance from the prior year's end balance and age factor using the IRS Uniform Lifetime Table. RMD payments are subject to 10 percent Federal tax withholding.

Death Benefits[5]

Designation of a beneficiary or beneficiaries can be made by the participant on the Form TSP-3, *Designation of Beneficiary*, and is valid only for the TSP account selected on the form. The TSP pays death benefits according to the most recent Form TSP-3 on file for the participant. The Form TSP-3 is not effective unless it is on file with the TSP on or before the date of the

[5] Source: Thrift Savings Plan Death Benefits, January 2019

participant’s death. A will or other agreement is not valid for the disposition of a participant’s TSP account.

If a participant has no Form TSP-3 on file, death benefits must be paid in the following statutory order:

- Widow or widower;
- Child or children equally of the deceased and to descendants of deceased children by representation;
- Parents equally or surviving parent;
- Executor or administrator of the estate; or
- Next of kin who is entitled to participant’s estate under the laws of the state in which the participant resided at the time of his/her death.

If the participant dies after separating from service or is the account holder of a beneficiary participant account, a next of kin, legal representative, or other responsible person must report the participant’s death to the TSP by completing and submitting Form TSP-17, *Information Relating to Deceased Participant*, and a copy of the certified death certificate to the TSP before the TSP will process the death benefit payment. If a TSP participant dies while still in Federal service, the participant’s personnel or payroll office must report the participant’s death to the TSP. The Form TSP-17 and a copy of the certified death certificate must also be submitted to the TSP before the TSP will begin processing the death benefit payment.

Once a TSP-17 and certified death certificate have been received, if there was a valid Form TSP-3 on file with the TSP as of the date of the participant’s death, the TSP account will be distributed according to that designation. Otherwise, the participant’s account will be paid according to the order of precedence required by law as discussed above.

The TSP establishes beneficiary participant accounts (BPAs) for the spouses of deceased participants who are determined to be beneficiaries. If a spouse's share of death benefits is $200 or more, the TSP establishes and maintains a beneficiary participant account for the spouse. The entire share is invested in an age-appropriate Lifecycle (L) Fund until the spouse elects a different investment option or chooses to withdraw the money through either a single payment, installment payments, annuity, or a combination of these options.

Spouse beneficiaries have the option to leave their money with the TSP in their established BPA or can withdraw the money from their account by completing and submitting the Form TSP-99. The rules and requirements related to BPAs (i.e. post separation withdrawals and RMDs) are consistent with the rules and requirements related to separated participants; however, withdrawals from BPA accounts are subject to a 10 percent tax withholding. If the spouse's share is less than $200, the TSP sends a check for the payment.

Non-spouse beneficiaries are unable to retain a TSP account. The death benefit payment will either be made directly to the beneficiary, to an "inherited" IRA, or can be transferred to the beneficiary's own TSP account if they are a current or former Federal Governmental employee with a TSP account. Upon the determination that a beneficiary for a death benefit is a non-spouse, a skeletal account is created for the individual. Non-spouse beneficiaries have 90 days from the date the skeletal account was established to submit either the Form TSP-81, *Death Benefit Election for a Non-Spouse Beneficiary* and/or a tax notice to the TSP. Payments to non-spouse beneficiaries are subject to a 20 percent tax withholding.

Court Orders[6]

The TSP must honor a valid court order that awards all or part of a participant's (in-service or separated participant or beneficiary participant) vested TSP account balance to a party with a legal interest. The TSP must honor court orders related to divorce, annulment, legal separation, or garnishment to satisfy a participant's past-due alimony or child support obligations. The TSP must also honor all qualifying Federal tax levies as well as qualifying criminal restitution orders pursuant to the Mandatory Victims Restitution Act.

The TSP makes only one disbursement per payee under a court order or legal process; the TSP does not make a series of payments even if the participant's account balance is insufficient at the time of payment for the TSP to satisfy the payee's entire entitlement. However, the TSP will honor a second court order. The TSP does not make a series of payments because it is not considered a qualifying legal process under FERSA. A court order cannot require the TSP to pay more than the participant's vested account balance. Therefore, if the payee's entitlement exceeds the participant's vested account balance when the TSP pays the award, the TSP will only pay up to the vested account balance as of the date of disbursement. All payments are made pro rata from all TSP investments in which the participant is invested based on the balance in each fund on the date payment is made and from all contribution sources. If a participant has more than one type

[6] Source: Court Orders and Powers of Attorney, September 2014.

of TSP account (i.e. civilian, uniformed services, and beneficiary participant) the court order must explicitly identify each account separately and the payees entitlement to the related account(s). A skeletal account is established for all payees specified in the court order. The court order entitlement is transferred to and disbursed from the payee skeletal account.

TSP In-Service Withdrawals

FERSA permits a non-separated participant to withdraw employee contributions and attributable earnings from his or her TSP account due to financial hardship or based on age.

An in-service withdrawal is a means of providing participants (under limited circumstances) access to funds in their TSP accounts while they are employed by the Federal Government. This includes participants who are in a non-pay status. While outstanding TSP loans[7] delay a partial or post separation withdrawal until the loan is repaid in full or treated as a taxable distribution, in-service withdrawals are not affected by an outstanding TSP loan. See below for additional details on the in-service withdrawals.

Age-Based In-Service Withdrawals

Age-based in-service withdrawals allow participants who are age 59 ½ or older and active (i.e. still employed by the Federal government) to withdraw all or a portion of their vested account balances. To request an age-based in-service withdrawal, participants must complete Form TSP-75, *Age-Based In-Service Withdrawal Request*. Participants must request at least $1,000 or their entire vested account balance if their account balance is less than $1,000. The withdrawal is deducted from the participants' traditional balance, Roth balance, or proportionally from both balances according to the participant's election, and proportionally from each investment fund in which the participant is invested at the time of disbursement.

Prior to implementation of the Act, participants could only receive one age-based in-service withdrawal from an account, and participants who made an age-based in-service withdrawal could not subsequently receive a post-separation partial withdrawal. Effective September 15, 2019, participants can now receive up to four age-based in-service withdrawals from an account per calendar year, and may take one aged-based withdrawal every 30 calendar days. If the participant has two separate TSP accounts (one as a Federal civilian employee and one as a member of the uniformed services), the participant can make age-based in-service withdrawals

[7] TSP Loans are covered under a separate performance audit.

only from the account associated with the participant's current employment. If both participant accounts are active, age-based in-service withdrawals can be made from each account.

The in-service withdrawal cannot be repaid to the TSP and is subject to the 20 percent Federal withholding tax. Participants can choose to increase their tax withholding but are not allowed to decrease or waive it. In-service withdrawals are eligible rollover distributions; thus, the participant can transfer all or a portion of the withdrawal to an IRA or other eligible employer plan.

As previously noted with post-separation withdrawals, the TSP has spousal consent and notification requirements for in-service withdrawals as well. For married FERS or uniformed services participants, the spouse must consent to the withdrawal in the section noted on the Form TSP-75, and the spouse's signature must be notarized. If the spouse's whereabouts are unknown or exceptional circumstances exist in which a participant is unable to obtain spousal consent, the participant must complete Form TSP-16 and provide the required documentation. For married CSRS participants, the TSP must notify the participant's spouse before the in-service withdrawal is made. The only exception to this requirement is if the participant does not know the whereabouts of his/her spouse, in which case completion of Form TSP-16 is necessary.

Additionally, for those participants requesting a transfer of their age-based in-service withdrawal to an eligible employer plan or an IRA, the Form TSP-75 must be completed by the financial administrator of the plan or IRA and mailed or faxed to the TSP.

Financial Hardship In-Service Withdrawal

Financial hardship in-service withdrawals allow participants, regardless of age, who have a financial need to make a withdrawal of their own contributions and the earnings on their contributions, including any amounts transferred into the TSP account from an IRA or eligible employer plan, up to the amount of the financial need. Financial hardship withdrawals must be for an amount of $1,000 or greater. To request a financial hardship in-service withdrawal, participants must complete Form TSP-76, *Financial Hardship In-Service Withdrawal Request*.

To be eligible for a financial hardship withdrawal, participants must have a financial need that results from at least one of the following four conditions: negative monthly cash flow, eligible medical expenses (including household improvements needed for medical care), eligible personal casualty losses, or eligible legal expenses for separation or divorce from a spouse. Income information or documentation to substantiate the financial hardship is not required to be submitted. However, participants must certify on their withdrawal requests, under penalty of perjury, that they have a genuine financial hardship based on conditions described on the form.

There is no limit to the number of financial hardship in-service withdrawals that a participant can make; however, they are limited to one financial hardship withdrawal every six months. Prior to implementation of the Act, participants could not make contributions to the TSP for six months following a financial hardship withdrawal but this rule has now been eliminated as of September 15, 2019. Financial hardship in-service withdrawals are deducted from the participant's traditional balance, Roth balance, or proportionally from both balances according to the participant's election, and proportionally from each investment fund in which the participant is invested at the time of disbursement. If a participant has two separate TSP accounts (e.g., Federal civilian and uniformed services), a financial hardship withdrawal can only be made from the account associated with current employment. If both accounts are associated with the participant's current employment, a financial hardship withdrawal can be made from both accounts. The IRS considers financial hardship withdrawals to be a non-periodic payment for Federal income tax purposes; thus, the TSP withholds 10 percent of the withdrawal. Participants can choose to increase or waive their tax withholding but are not allowed to decrease it. The participant may also be subject to an early withdrawal penalty tax of 10 percent if the participant is not age 59 ½ at the time of withdrawal.

For married FERS and uniformed services participants, spousal consent (with notarized signature) is required. For married CSRS participants, spousal notification is required. The same spousal requirement exceptions apply as previously indicated for age-based in-service withdrawals.

C. TSP Withdrawals Process

Paper Withdrawal Requests

If a participant's withdrawal request cannot be completed entirely online, the participant must submit the form to the TSP either via mail or fax. Withdrawal processing for these paper forms begins in the service providers' facilities either in Birmingham, AL or Fair Oaks, VA where the mailroom receives withdrawal forms submitted by participants via mail, and analysts properly index forms received via fax. Withdrawal forms for death benefits to non-spouse beneficiaries and court orders are processed in Fair Oaks, VA while all other withdrawal forms are processed in Birmingham, AL. All forms received via mail are stamped with the date received. The system automatically provides the date received for forms submitted via fax. Once date stamped, the mailed forms are scanned into the TSP system and are linked to the relevant participant's account. In the TSP system, optical character recognition (OCR) is run on each form, regardless of how it is received (via mail or fax). During indexing, the TSP imaging system performs edit checks on the participant's name and account ID to verify they match a valid account in the TSP system and ensure that a duplicate form is not already in process. All information from the form that could not be read during OCR (e.g. existence of notary signature, unreadable characters) is manually updated within the TSP system by an Analyst. All forms and records within the system are manually reviewed to verify that the information from the form is accurately reflected in the system and various edit checks are performed on the form based on the form type. If the forms are found to contain errors via the edit checks performed, an error message is displayed within the system. Based on the errors identified, the form is either rejected or accepted. If the system rejects a form, a reject notice is generated and mailed to the participants. Forms that are determined to be free of errors and that have successfully completed the manual review process are placed in queue to be transmitted to the TSP system during the nightly unified processing cycle. During the nightly unified processing cycle, additional edit checks are performed to verify the requirements for each type of withdrawal are met. Once the form passes the second set of edit checks, a notification is generated and mailed to the participant that the withdrawal request has been processed. However, if the form does not pass the second set of edits checks, a reject notice is generated and mailed to the participant.

<u>Online Withdrawal Requests</u>

Most participants initiate post-separation and in-service withdrawal requests online via the TSP website. The website interface has built in edit checks that prevent participants who do not meet the criteria from having the ability to complete and submit withdrawal forms online. Withdrawals for which the spouse's signature is required, annuities, and transfers to financial institutions are not eligible to be processed completely online. For these transactions, participants must ultimately mail or fax the form initiated online to the TSP after it has been signed and notarized. Additionally, there are edit checks related to the information that is entered into the online form by the participants. All withdrawal forms submitted successfully via the TSP website are sent to the TSP system of record via the nightly unified processing cycle. A copy of the completed withdrawal form from the website interface is automatically copied to the TSP system for record retention.

<u>Withdrawal Disbursement and Reporting</u>

If a post-separation withdrawal form is submitted to the TSP and scanned, indexed, and data-entered into the TSP imaging system, but the separation information has not been received from the Federal agency or uniformed service (e.g., employment code and date indicating separation), the TSP imaging system automatically holds the form in a suspense file for 30 days pending receipt of the separation information. If the separation information is not received within the 30 days, the form is rejected, and a reject notice is sent to the participant, who must contact his/her agency or service to follow-up. If the separation information is received within the 30 days and no errors are identified on the form, the withdrawal is processed.

Upon the completion of the nightly unified processing cycle, all withdrawal transactions that successfully completed the second set of edit checks discussed above are automatically transferred to the payment module within the TSP system. The Agency's Office of Participant Services (OPS) is responsible for reconciling withdrawal activity and for recording the related journal entries in the general ledger. On a daily basis, an accountant within OPS reconciles the activity within the TSP system to the activity in the payment module of the TSP system. Once reconciled, the disbursement information from the payment module is used to produce the SF-1166, *Voucher and Schedule of Payments*. The SF-1166 is submitted daily to the U.S. Department of the Treasury (Treasury). Upon receipt, Treasury will edit the file and email the Agency a report of the total disbursements for certification. An accountant reconciles the number and dollar value of transactions in the report sent from Treasury to verify the accuracy. Once the accuracy is confirmed, the accountant will enter the data in the [redacted] Once the data is entered, an accountant, with the certifying officer role in [redacted], will review the disbursement files and then certify the withdrawals for payment by Treasury. Upon certification, Treasury releases the batch of disbursements for processing. Treasury typically processes disbursements within one business day of receiving the complete disbursement information from the TSP. If the disbursement is made by check, Treasury usually needs additional time for disbursement.

After Treasury disburses funds, Treasury sends payment confirmation information to the Agency. The OCFO's Accounting Division uses financial reports generated by the TSP system to prepare general ledger entries for withdrawal activity.

On a daily basis, an accountant within the Office of Chief Financial Officer (OCFO) will generate withdrawals disbursement reports from the TSP system, which is used to input numbers into a journal entry template for posting to the general ledger. Once the template is completed and a provisional (preliminary) posting is created within the general ledger, the entry is reviewed by an accountant and then posted to the general ledger. After posting, the accountant will check the batch reports and the trial balance to ensure the entry was successfully posted. The documents are placed in a reconciliation package which is reviewed and signed by the supervisory accountant.

Additional Information on the TSP Court Order Withdrawals Process

A TSP account can be divided by means of a court decree of divorce, annulment, or legal separation or a court order or court-approved property settlement agreement incident to such a decree. A court order can be used to prevent a participant from withdrawing his/her TSP account during a divorce action. To qualify, a court order for the TSP must meet the requirements set forth in 5 USC 8435(c) and 8467 and 5 CFR 1653.2. As soon as practicable after receiving a court order that is issued in an action for divorce, annulment, or legal separation, the TSP "freezes" a participant's account if the court order names the TSP and provides that the participant may not obtain a TSP loan or withdrawal or the court order purports to divide a participant's TSP account. Once an account is frozen, no new loans or withdrawals are permitted from the account until the action is resolved.

A TSP account can be garnished with a writ, order, summons, or other similar document in the nature of a garnishment that is brought to enforce a participant's child support or alimony obligation. The TSP calls such a document a "legal process." To be honored by the TSP, a legal process must meet the requirements set forth in 5 USC 8437(e)(3) and 5 CFR 1653. As soon as practicable after receiving a legal process, the TSP freezes a participant's account if the legal process expressly names the "Thrift Savings Plan" and requires the TSP to make a payment to satisfy a child support or alimony debt, or withhold a portion of the participant's account in anticipation of an order to make such a payment.

The TSP processes court orders and legal processes using the following steps:

- As soon as possible after the TSP receives a document that purports to be a qualifying court order or legal process, the participant's account is frozen.
- The TSP evaluates whether the court order or legal process is complete. If the court order or legal process is not complete, the TSP requests that the parties submit a complete copy. If a complete copy is not received within 30 days of the date of notification, the participant's account is unfrozen, and no further action based on that court order or legal process is taken.
- When the TSP receives a complete court order or legal process, the TSP freezes (or maintains the freeze on) the participant's account and evaluates the court order or legal document to determine whether it qualifies. For qualifying court orders, the TSP also determines how the account should be divided.
- The TSP mails a decision letter to the participant and provides a copy to all the other parties having a legal interest in the action. The decision letter describes the effect the order or legal process will have on the participant's account and states when the freeze will be removed from

the account. If the court order or legal process is not qualifying, the decision letter explains why. If the order or process requires a payment, the letter also explains how the payment amount will be calculated and when the payment will be made.

TSP payments are made by a Treasury check directly to the payee or by direct deposit via EFT to the payee's financial institution. All or part of a payment to a current or former spouse under a court order or a legal process may be transferred to a traditional IRA or an eligible employer plan, with the exception of court-ordered payments made from beneficiary participant accounts. The TSP will generally disburse a payment 60 days after it issues the decision letter that describes the effect the court order or legal process will have on the participant's account. In certain situations, the payee can request to receive payment sooner; however, the TSP does not make, in any case, payments earlier than 31 days after the date of the TSP decision letter.

Additional Information on the Required Minimum Distributions Process

As previously discussed, the IRC requires that participants receive a portion of their TSP account beginning the calendar year the participant becomes age 70 ½ and is separated from service (i.e., the first distribution year). If the participant does not withdraw his/her account balance or begin receiving payments from his/her account, the TSP is required to make a distribution to the participant by April 1 of the following year (i.e., the second distribution year). The TSP sends out a notice every fall to all participants turning 70 ½ (both active and separated) in the subsequent calendar year, notifying them of the RMD.

For participants who make a withdrawal election in their first distribution year, their first year RMD is applied based on their withdrawal elections. If the participant elects installment payments, subsequent RMDs may be satisfied either by the payments or through a supplemental payment made in December of each year.

For those participants who have not made a withdrawal election for their first RMD year, a notice is sent to them in the following January indicating that they must be paid their first year RMD no later than April 1 of the same year. If the participant has not made a withdrawal election by March 1 of the second distribution year, the first year RMD payment is automatically sent to the participants (according to their address of record) on March 1.

Each January, the TSP recalculates the installment payments for those participants who have elected withdrawal payments based on life expectancy. Participants are sent a notice containing the new payment amount, and if they are due an RMD, the notice also indicates the RMD amount. The payments and the RMD are based on the participants' prior year-end balance and their life expectancy factor.

Any other elected withdrawals received by the participant during the year (e.g., partial, total, or combination withdrawals) are used to satisfy the RMD amount. Therefore, the actual RMD payment amount is based on the additional amount that is needed to be withdrawn beyond the withdrawals made by the participant's election method. Supplemental RMDs are issued in December if the total dollar amount of the payments made that year do not satisfy the RMD.

D. TSP Withdrawal Statistics

Exhibit I-1 illustrates the number of TSP post-separation withdrawals, including death benefit disbursements and court order disbursements[8], disbursed for calendar years 2015 through 2019. Exhibit I-2 illustrates the total TSP post-separation withdrawals disbursed in dollars for calendar years 2015 through 2019.

[8] Court order disbursements include disbursements made from the accounts of participants who are still in-service.

Exhibit I-1

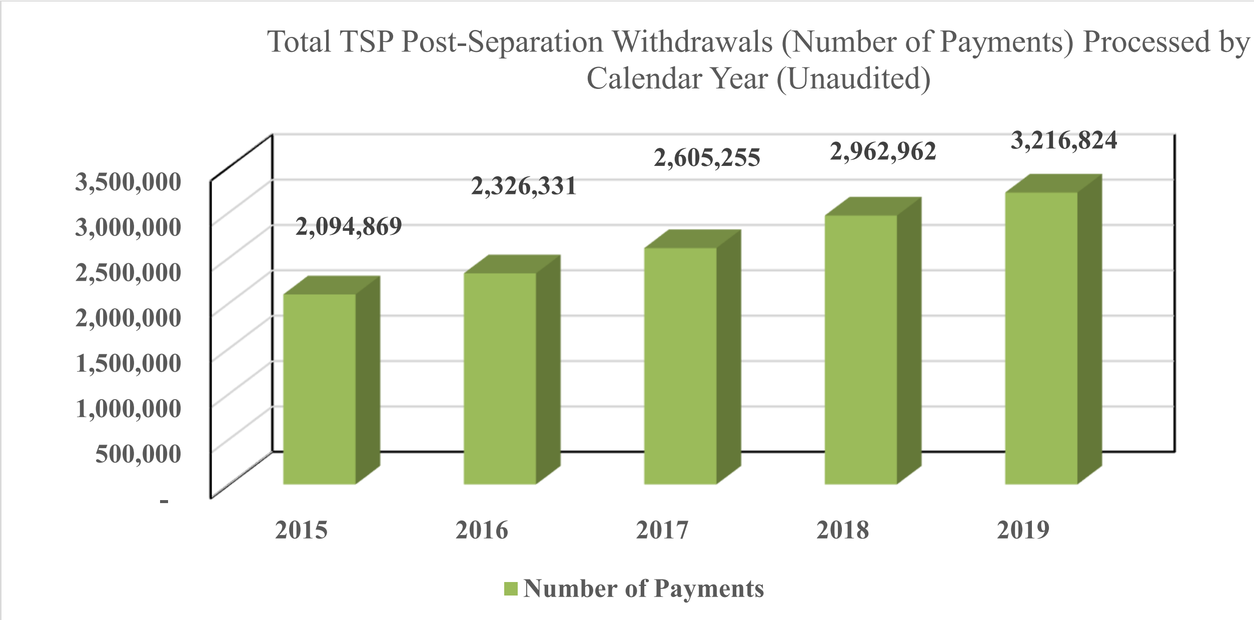


Exhibit I-2

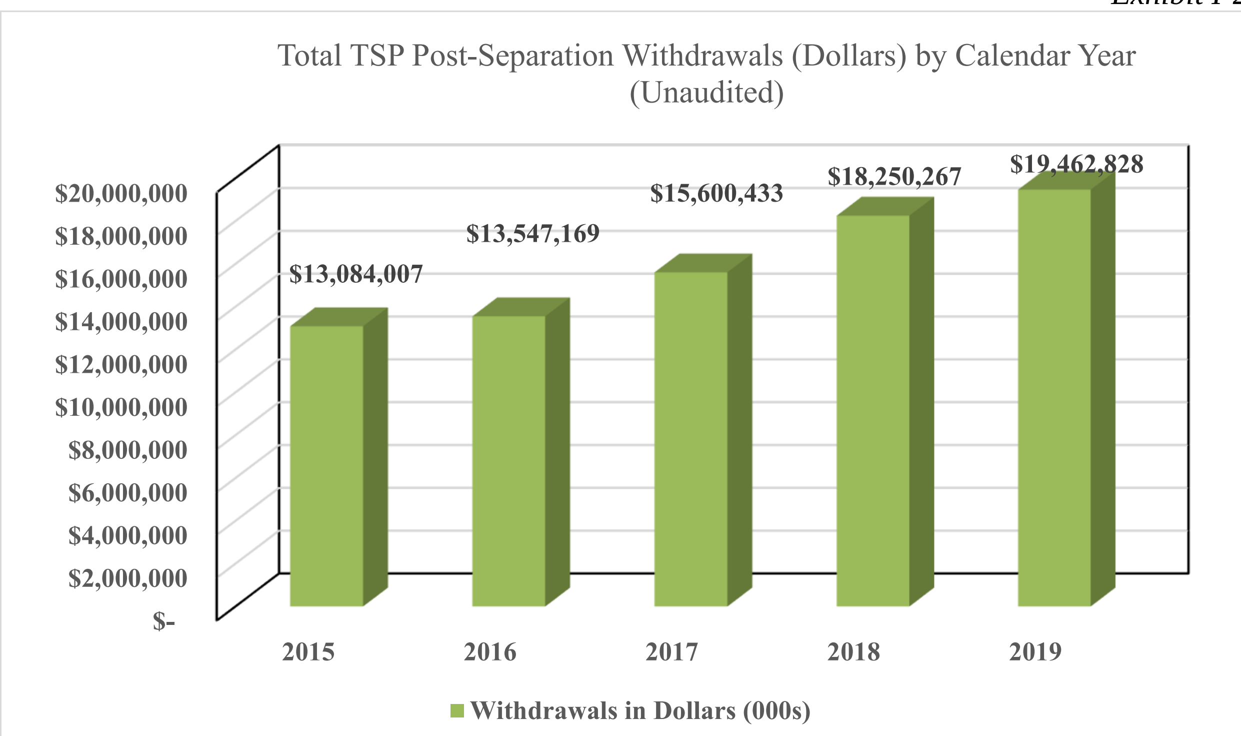


Exhibit I-3 illustrates the number of in-service withdrawals disbursed for calendar years 2015 through 2019. Exhibit I-4 illustrates in-service withdrawals disbursed, in dollars, for calendar years 2015 through 2019.

Exhibit I-3

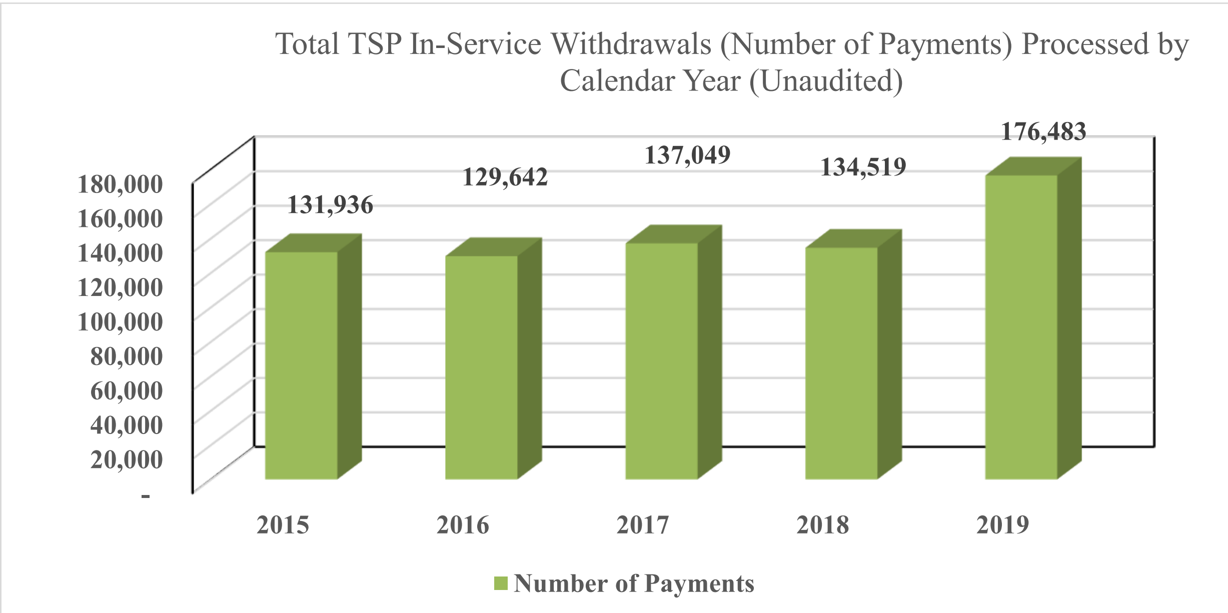


Exhibit I-4

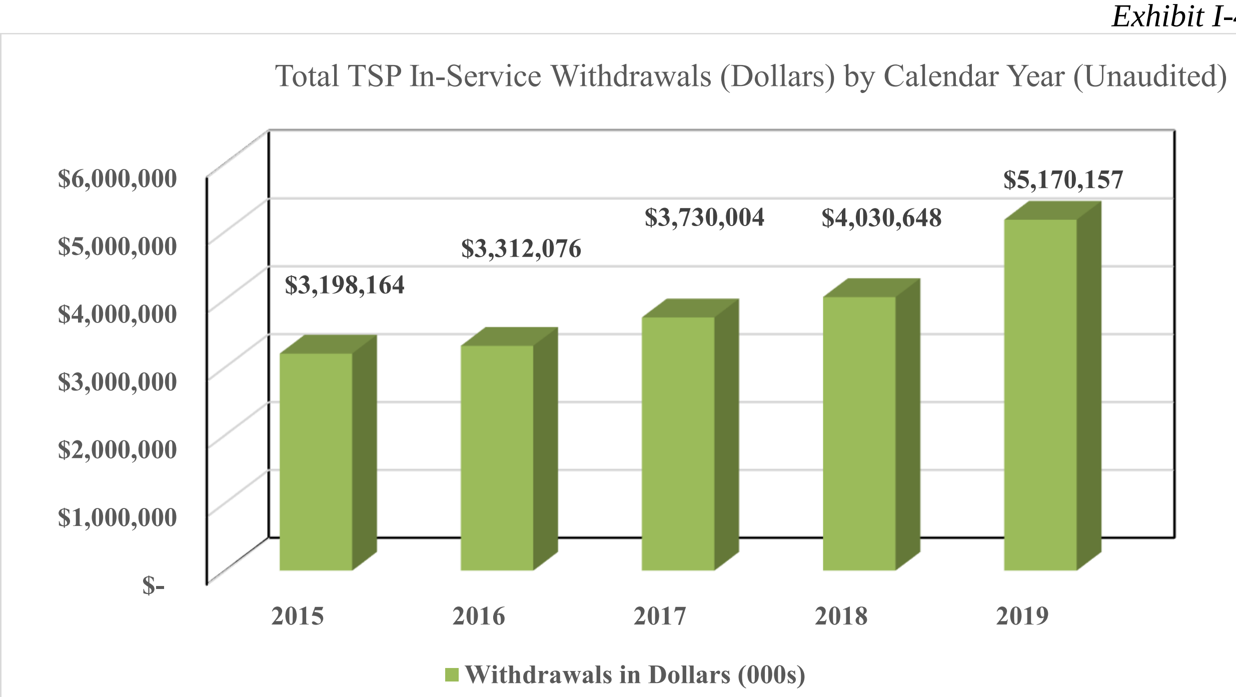
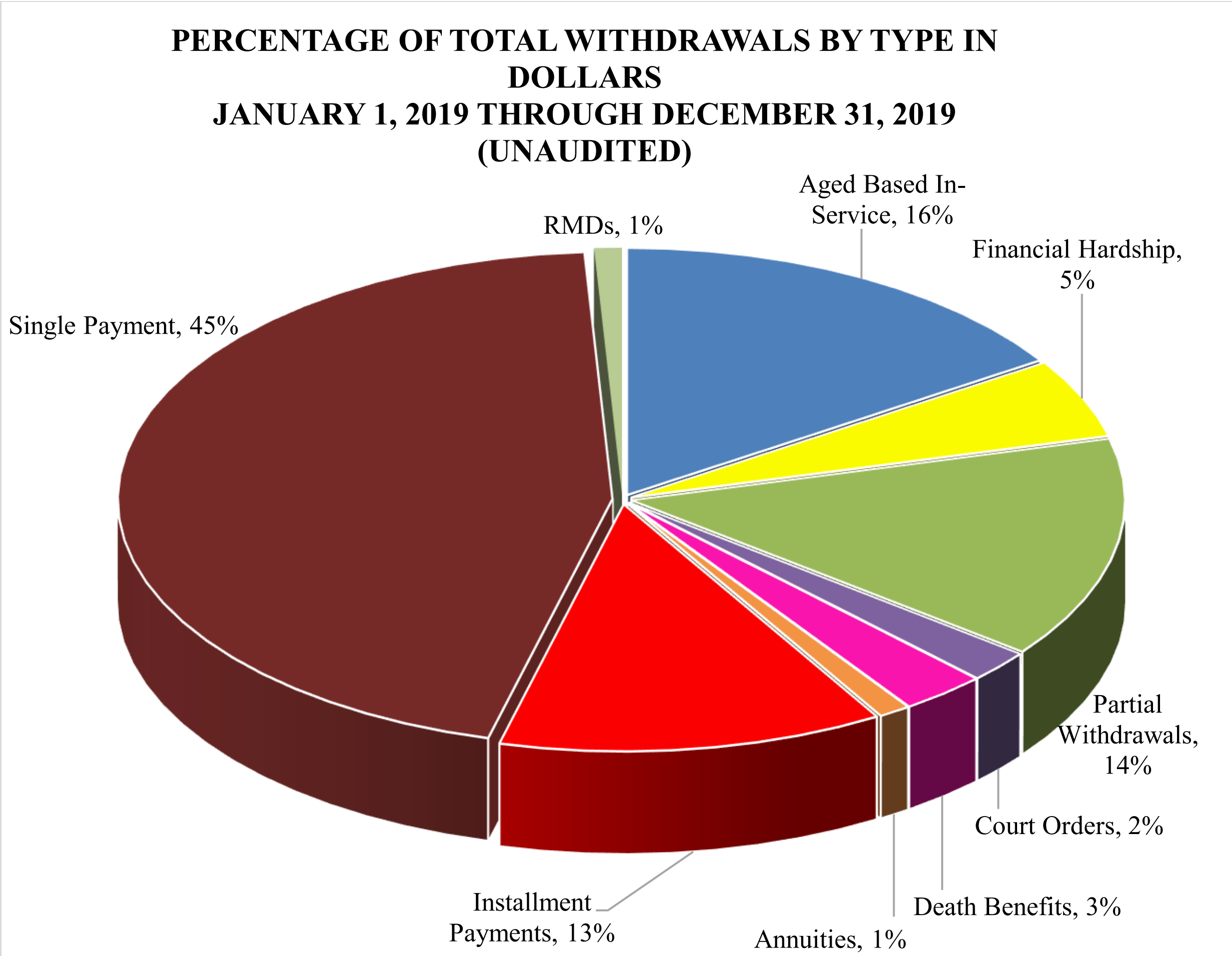


Exhibit I-5 illustrates the percentages of total withdrawal disbursements, by type, including both post-separation and in-service, from January 1, 2019 through December 31, 2019.

Exhibit I-5



II. OBJECTIVE, SCOPE, AND METHODOLOGY

A. Objective

The U.S. Department of Labor (DOL), Employee Benefits Security Administration (EBSA) engaged KPMG LLP (KPMG) to conduct a performance audit of the Thrift Savings Plan (TSP) withdrawals process.

The objectives of our performance audit over the TSP withdrawals process were to:

- Determine whether the Federal Retirement Thrift Investment Board's Staff (Agency) implemented certain procedures to (1) process TSP withdrawal transactions promptly and accurately in individual participant accounts, (2) process authorized participant payments in accordance with applicable Agency regulations, and (3) accurately record withdrawals activity in the TSP accounting records;

- Test compliance of the TSP withdrawals process in accordance with United States Code (USC) Chapter 5, Sections 8424(d), 8433, and 8435, Code of Federal Regulations (CFR) Title 5, Parts 1650, 1651, and 1653, and Public Laws 114-26 and 115-84;

- Determine whether the Agency implemented regulations and procedures necessary to effect the requirements of the TSP Modernization Act; and

- Determine the status of the prior year EBSA TSP open recommendations reported in *Performance Audit of the Thrift Savings Plan Withdrawals Process,* dated January 18, 2018.

B. Scope and Methodology

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants' *Standards for Consulting Services*, using EBSA's *Thrift Savings Plan Fiduciary Oversight Program*. Our scope period for testing was January 1, 2019 through December 31, 2019. We performed the audit in four phases: (1) planning, (2) arranging for the engagement with the Agency, (3) testing and interviewing, and (4) report writing.

During the planning phase, team members developed a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with the TSP withdrawals process. Arranging the engagement included contacting the Agency and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, participated in process walk-throughs, and designed and performed tests of controls and compliance[9]. We conducted these test procedures remotely in coordination with personnel primarily from the Agency's headquarters in Washington, D.C. In Appendix B, we identify the key documentation provided by Agency personnel that we reviewed during our performance audit.

Our performance audit procedures included using [redacted] sampling to select specific samples related to TSP withdrawals for the period January 1, 2019 through December 31, 2019, which we used to determine if the Agency processed withdrawals in a manner that complied with FERSA and Agency Regulations. We selected the following samples in this manner:

- [redacted]

[9] We tested certain information technology system edit checks and system configurations related to the withdrawals process subsequent to the scope period and in a test environment due to timing and availability. The Agency represented that such edit checks and system configurations were functionally and technically the same as those designed and operating in production environment from January 1, 2019 through December 31, 2019. In addition, we tested the requirements underlying the edit checks and system configurations in our compliance procedures.

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

We excluded from this audit the consideration of the TSP annuity-related procedures performed at the annuity vendor subsequent to the participant choosing an annuity as a withdrawal option. These procedures are addressed separately within the overall EBSA *Thrift Savings Plan Fiduciary Oversight Program*.

Criteria used for this engagement are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes 5 USC Chapter 84 and 5 CFR Chapter VI.

The report writing phase entailed drafting a preliminary report, conducting an exit conference, providing a formal draft report to the Agency for comment, and preparing and issuing the final report.

III. FINDINGS AND RECOMMENDATIONS

A. Introduction

We performed procedures related to the Thrift Savings Plan (TSP) withdrawals process while remotely conducting a performance audit related to activities at the Federal Retirement Thrift Investment Board's Staff's (Agency) headquarters. Our scope period for testing was January 1, 2019 through December 31, 2019. This performance audit consisted of reviewing applicable policies and procedures and testing manual and automated processes and controls, which included interviewing key personnel, reviewing key reports and documentation (Appendix B), and observing selected procedures.

Based upon the performance audit procedures conducted and results obtained, we have met our audit objectives. We conclude that for the period January 1, 2019 through December 31, 2019, the Agency implemented certain procedures to (1) process TSP withdrawal transactions promptly and accurately in individual participant accounts; (2) process authorized participant withdrawal payments in accordance with regulations; and (3) accurately record withdrawal activity in the TSP accounting records. In addition, as a result of our audit procedures, we determined that the Agency implemented regulations and procedures necessary to effect the requirements of the TSP Modernization Act. As a result of compliance testing, we did not identify any instances of noncompliance with United States Code (USC) Chapter 5, Sections 8424(d), 8433, and 8435; Code of Federal Regulations (CFR) Title 5, Parts 1650, 1651, and 1653; or Public Laws 114-26 and 115-84.

The current engagement produced no new recommendations.

We also reviewed eight prior U.S. Department of Labor Employee Benefits Security Administration (EBSA) recommendations related to the TSP withdrawals process to determine their current status. Section III.B documents the status of these prior recommendations. In summary, six recommendations have been implemented and closed, and two recommendations have not been implemented but were closed.

B. Findings and Recommendations from Prior Reports

The findings and recommendations from prior reports that required follow-up are presented in this section. The discussion below includes the current status of each recommendation.

<u>2015 Withdrawals Process Recommendation No. 1</u>

<u>Title:</u>	Court Order Entitlement Weakness
<u>Original Recommendation:</u>	The Agency should implement controls that require the review of court order entitlements disbursed to payee skeletal accounts, as of the date of payment, to ensure that payments from payee skeletal accounts are paid based on total available vested funds from the related participant account.
<u>Reason for Recommendation:</u>	During our 2015 performance audit, we tested a sample of [redacted] court order withdrawals and identified one exception in which a court order entitlement in the amount of $7,790 was not fully disbursed to the payee despite the participant account having sufficient vested funds.
<u>Status:</u>	**Implemented.** During our current year audit procedures, we noted that the Agency implemented an oversight process over the daily disbursements from the Legal and Death processing units. As part of this process, the Agency reviews a sample of court order payments on a quarterly basis to verify the accuracy of the payment, which includes verifying that the payment is based on total available vested funds from the related participant account. In addition, the Agency has controls in place to review the accuracy of court order payments prior to disbursement. We tested a sample of [redacted] court order payments during our current year engagement and did not identify any payments that were not properly reviewed or exceeded the total available vested funds from the related participant account. As a result, this recommendation is considered implemented and closed.
<u>Disposition:</u>	**Recommendation Closed.**

[redacted]

[redacted]- [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]- [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted] [redacted]

2017 Withdrawals Process Recommendation No. 2

Title: Ineffective Spousal Consent Edit Checks

Original Recommendation: The Agency should:

a) Coordinate with federal agencies and the uniform services to obtain information on participants' current marital status and any subsequent changes to that status.
b) Develop, document, and implement policies and procedures to verify that the spousal consent section of applicable withdrawals forms is properly completed for all married participants or that a Form TSP-16 has been properly completed and approved prior to processing withdrawal disbursements.

Reason for Recommendation: During our 2017 performance audit, we tested a sample of [redacted] financial hardship withdrawals and identified 2 instances in which a married participant enrolled in FERS did not obtain the required signature on the form TSP-76 *Financial Hardship In-Service Withdrawal Request* to evidence spousal consent prior to the TSP disbursement of the funds. Although the TSP system contained information related to the two participants' marital status, the Agency informed us that this data was not maintained because of difficulties obtaining current data on participants' marital status from the relevant federal agencies and uniformed services. Therefore, the Agency relied upon participants to self-report their marital status prior to processing withdrawals requests that required spousal consent.

Status: **Not Implemented.**

During our current year audit procedures, we noted that the Agency had not implemented procedures to coordinate with federal agencies and the uniform services to obtain information on participants' current marital status and any subsequent changes to that status. However, the FRTIB's policies and procedures define how a participant's marital status is verified at the time of disbursement in accordance with 5 CFR 1650.4. In addition, based on our review of TSP bulletins, federal agencies and uniform services are not required to submit marital status data to the Agency. The Agency also informed us that the marital status data currently contained in the TSP system is outdated information from the TSP system conversion. Further, the TSP currently has no authority to require the collection of this information by a participant's Agency or Service. During our current year testing, we tested a sample of [redacted] financial hardship withdrawals and did not identify any withdrawals that did not include the required spousal approval. As a result, we consider this recommendation closed.

Disposition: **Recommendation Closed.**

2017 Withdrawals Process Recommendation No. 3

Title: Incomplete Withdrawal Form Notarizations

Original Recommendation: The Agency should revise its current policies and procedures related to withdrawals request forms to require the verification of notary seals based on the applicable state requirements in order to ensure that the form has been properly notarized.

Reason for Recommendation: During our 2017 performance audit, we tested a combined sample of [redacted] withdrawals across death benefit payments, court orders, post-separation withdrawals, and changes in monthly payments and identified 8 instances (1 in death benefit payments, 2 in court orders, 4 in post-separation withdrawals, 1 in changes in monthly payments) in which there was no notary seal in the Certification and Notarization section on the withdrawal request form.

Status: **Not Implemented.**

During our current year audit procedures, we noted that the Agency did not revise its current policies and procedures related to withdrawals request forms to require the verification of notary seals based on the applicable state requirements. However, we noted the Agency had implemented certain compensating controls to verify the identity of participants requesting withdrawals. Specifically, we noted that the Agency revised certain TSP withdrawal forms and the forms were primarily only available online through participants' TSP web account, which required dual authentication in order to log into the account. In certain instances, participants could request a paper withdrawal form from the Contact Centers. In these instances, participants were required to provide information to verify their identity before the Contact Center mailed them a form.

In addition, we noted that 28 USC 1746 states that any notarization requirement imposed by Federal rule or regulation may be satisfied by a sworn statement under penalty of perjury. We noted that signatures on TSP withdrawal forms are affixed under a sworn statement under penalty of perjury.

Although the Agency did not implement recommendation 2017-03, the Agency had compensating controls in place to verify the participant's identity. As such, we consider the recommendation closed.

Disposition: **Recommendation Closed.**

[redacted]

[redacted]- [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

2017 Withdrawals Process Recommendation No. 5

Title: Withdrawal Request Forms Processing Weaknesses

Original Recommendation: The Agency should reinforce the withdrawals form processing procedures with applicable contractors and Agency personnel and provide additional training related to the procedures, as necessary.

Reason for Recommendation: During our 2017 performance audit, we tested a sample of [redacted] financial hardship withdrawals, and noted 1 instance in which the date on the participant's submitted Form TSP-76 was incorrectly entered in the TSP system by an Analyst. In this instance, the Analyst entered the date July 21, 2015, the processing date, into the TSP system instead of the date reported on the form by the participant, which was July 21, 1985. As a result, the system did not properly reject a form that contained invalid data.

Status: **Implemented.**

During our current year audit procedures related to post-separation withdrawals, changes to installment payments, financial hardship in-service withdrawals, and aged-based in-service withdrawals, we tested [redacted] withdrawal transactions processed in [redacted] and determined that all forms were entered accurately and properly reviewed by a quality control operator. In addition, we inspected evidence that the Agency provided communication to personnel responsible for reviewing withdrawal forms related to their job responsibilities. As a result, this recommendation is considered implemented and closed.

Disposition: **Recommendation Closed.**

[redacted]

[redacted]- [redacted]

[redacted]

[redacted]- [redacted]

[redacted] [redacted]

[redacted] [redacted]

<u>2017 Withdrawals Process Recommendation No. 7</u>

Title: Participant Separation Package, Notice WC: 2016

Original Recommendation: The Agency should continue its efforts to evaluate the information included in the Notice WC: 2016 and other forms and identify opportunities to minimize the amount of personally identifiable information (PII) included in notifications disseminated to participants.

Reason for Recommendation: During our 2017 performance audit, we noted that upon notification that a participant has separated from service, the Agency mails Notice WC: 2016 to the participant as part of a separate package, which requests confirmation of certain information. This includes confirmation of certain PII such as social security number, date of birth, and account number. The Agency informed us that it has an ongoing effort to review and minimize the amount of PII presented on all notices and forms and that the Notice WC: 2016 was part of that iterative effort.

Status: **Implemented.**
During our current year audit procedures, we noted that in May 2018, the Agency conducted a comprehensive review of TSP forms, notices, and other

correspondence to minimize the collection of PII. As a result of the review, the Agency implemented changes that minimized the amount of PII included in Notice WC: 2016. As a result, this recommendation is considered implemented and closed.

Disposition: **Recommendation Closed.**

AGENCY'S RESPONSE

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77K Street, NE Washington, DC 20002

THRIFT SAVINGS PLAN

September 10, 2020

Mr. Michael Auerbach
Chief Accountant
Employee Benefits Security Administration
United States Department of Labor
Suite 400
122 C Street, N.W.
Washington, D.C. 20001-2109

Dear Michael:

This is in response to KPMG's email dated August 21, 2020, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit of the Thrift Savings Plan Withdrawals Process dated September 2020.

We are pleased to note during the FY 2020 audit that the auditors did not identify any instances where we did not comply with FERSA, Agency Regulations, and Public Laws for the period of January 1, 2019 through December 31, 2019. We are very pleased to note there are no audit recommendations.

Thank you once again for the constructive approach that the Department of Labor and its contractors are taking in conducting the various audits of the TSP. The information and recommendations that are developed as a result of your reviews are useful to the continued improvement of the Thrift Savings Plan.

Very truly yours,

RAVINDRA DEO

Digitally signed by RAVINDRA DEO
DN: c=US, o=U.S. Government, ou=Federal Retirement Thrift Investment Board, cn=RAVINDRA DEO, 0.9.2342.19200300.100.1.1=26001000335642
Date: 2020.09.10 14:14:52 -04'00'

Ravindra Deo

Enclosure

KEY DOCUMENTATION AND REPORTS REVIEWED

Federal Retirement Thrift Investment Board Documents and Reports

- TSP Booklet: *Withdrawing Your TSP Account After Leaving Federal Service*, dated September 2019
- TSP Booklet: *Your TSP Account: A Guide for Beneficiary Participants*, dated September 2019
- TSP Booklet: *Court Orders and Powers of Attorney*, dated September 2014
- TSP Booklet: *Death Benefits*, dated January 2019
- TSP Tax Notice: *Important Tax Information about Thrift Savings Plan Death Benefit Payments*, dated October 2015
- TSP Tax Notice: *Important Tax Information about Your TSP Withdrawal and Required Minimum Distributions*, dated September 2019
- TSP Tax Notice: *Important Tax Information about Payments From Your TSP Account*, dated September 2019
- TSP Tax Notice: *Tax Information for TSP Participants Receiving Installment Payments*, dated September 2019
- [redacted]
- Form TSP-3, *Designation of Beneficiary,* for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-17, *Information Relating to Deceased Participant,* for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-16, *Exception to Spousal Requirements*, for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-70, *Request for Full Withdrawal*, for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-75, *Age-Based In-Service Withdrawal Request*, for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-76, *Financial Hardship In-Service Withdrawal Request*, for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-77, *Request for a Partial Withdrawal When Separated*, for selected dates during our scope period of January 1, 2019 through December 31, 2019

KEY DOCUMENTATION AND REPORTS REVIEWED

- Form TSP-79, *Change from Monthly Payment to Final Payment*, for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-90, *Withdrawal Request for Beneficiary Participants,* for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-95, *Changes to Installment Payments,* for selected dates during our scope period of January 1, 2019 through December 31, 2019
- Form TSP-99, *Withdrawal Request for Separated and Beneficiary Participants,* for selected dates during our scope period of January 1, 2019 through December 31, 2019
- [redacted]