

# **FACT SHEET: THE EMERGENCY RELIEF FOR FEDERAL WORKERS ACT OF 2019**

For many people, including federal employees, their retirement account is their largest financial asset. The Thrift Savings Plan (TSP) allows federal workers who are participants the ability to access their savings to help meet a financial hardship or to borrow money from their savings. When the government is shut down and furloughed employees are not sure when they will receive their next paycheck, many may need to access the savings in their TSP account to pay for basic necessities like housing, food, or medical care and prescriptions. The Emergency Relief for Federal Workers Act of 2019 (“Emergency Relief Act”) is designed to facilitate the ability of workers affected by the shutdown to access their TSP savings and to make them financially whole after the shutdown ends. Below is a description of current law and the changes that the Emergency Relief Act would make.

## **HARDSHIP WITHDRAWALS**

TSP participants may take an in-service withdrawal when they face a financial hardship. Participants must certify under penalties of perjury that they are facing a financial hardship and the amount of the request is not greater than the dollar amount of the financial hardship.

***Define Government Shutdowns as Financial Hardship.*** To facilitate requesting a financial hardship distribution from TSP, the Emergency Relief Act would deem a shutdown as a financial hardship for those workers who are impacted by the shutdown and participate in the TSP. This special treatment only applies to distributions up to \$30,000. Establishing that government shutdowns are a financial hardship eliminates the need for federal employees to make additional demonstrations of financial hardship.

***Waive 10 percent Early Distribution Penalty.*** Under current law, TSP participants age 59 ½ or younger may be subject to an additional 10 percent early withdrawal penalty for taking a hardship withdrawal from their TSP. The Emergency Relief Act would waive the additional 10 percent penalty. (Participants taking the hardship withdrawal would still be responsible for paying any other taxes that are due on the amount of withdrawal.)

***Allow for Recontribution of Qualified Shutdown Distribution.*** In order to make workers whole after the shutdown ends, the Emergency Relief Act would allow federal workers who take a hardship distribution from the TSP to recontribute some or all of the qualified shutdown distribution (up to \$30,000) by the end of 2019. This recontribution rule also applies to workers who are age 59 ½ or older and who take an in-service distribution from TSP during the shutdown.

***Resume Elective Deferrals to TSP Immediately After Shutdown.*** Though TSP is eliminating the six-month ban on elective deferrals following a hardship withdrawal later this year, the Emergency Relief Act would ensure that affected federal workers would be allowed to continue their elective deferrals once the shutdown concludes.

***Expedite Payment of Hardship Withdrawal.*** The Emergency Relief Act directs the TSP to develop security protocols to make electronic funds transfer (ETF) an option for the payment of hardship withdrawals.

## **TSP LOANS**

The TSP affords participants the ability to borrow money from their retirement account under two circumstances – general purpose (which requires repayment within 5 years) or to purchase or build a primary residence (which requires repayment within 15 years).

***Ensure TSP Loans are Available during Shutdowns.*** Currently TSP loans are not available if a shutdown is expected to last more than 30 days. The Emergency Relief Act ensures that TSP loans will be available to help affected federal employees who need to access those funds during a government shutdown that causes such employees to miss a paycheck.

***Suspend TSP Loan Payments During Shutdowns.*** TSP loan repayments are made through payroll deductions. When federal employees are in non-pay status due to a government shutdown, the loan payments are not made, yet they are still due. Currently if a federal employee has a TSP loan and misses more than 2 ½ loan payments, TSP informs the individual of the amount needed to cure the loan deficiency or the unpaid balance of the loan will become taxable and may be subject to the 10 percent early withdrawal penalty. The Emergency Relief Act would automatically suspend loan payments until the government reopens.

***Prohibit Missed Loan Payments from Becoming Taxable Distributions During Shutdowns.*** The Emergency Relief Act would not allow any missed loan payments to become a taxable distribution that is potentially subject to an early distribution penalty during the period in which the government is shut down.

***Deduct Outstanding Loan Payments from Back Pay Provided after Shutdowns.*** In order to cure the outstanding loan payments, the amount of missed loan payments would be deducted from back pay when it is provided to affected employees following the shutdown.

***Expedite Payment of Loan Proceeds.*** The Emergency Relief Act directs the TSP to develop security protocols to make electronic funds transfer (ETF) an option for the payment of TSP loan proceeds.