

MEMO# 14266

December 20, 2001

INSTITUTE LETTER TO FEDERAL THRIFT SAVINGS PLAN CONCERNING CERTIFICATION REQUIREMENT FOR ROLLOVERS

[14266] December 20, 2001 TO: PENSION COMMITTEE No. 76-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 76-01 RE: INSTITUTE LETTER TO FEDERAL THRIFT SAVINGS PLAN CONCERNING CERTIFICATION REQUIREMENT FOR ROLLOVERS Since July 1, 2001, the Thrift Savings Plan for federal employees has permitted participants to roll amounts from qualified retirement plans and conduit IRAs into the TSP. The form required by the TSP for such rollovers, however, requires that the employee obtain a certification from the IRA trustee or custodian that the amounts "consist solely of money received in an earlier distribution from a qualified retirement plan, and earnings on that money." In the attached letter, the Institute urges that the TSP eliminate this trustee certification requirement. The letter notes that the IRA trustee must rely on the IRA owner for information as to the source of the amounts contained in the IRA. This is especially true if the current IRA was not the direct recipient of the rollover from a qualified plan, but instead received assets from the IRA owner or from another IRA. In addition, the letter states that IRA trustees generally do not have the resources or systems to trace back through an account's history in order to determine whether any other contributions have been made subsequent to the original rollover. The letter further notes that the EGTRRA revisions to the Internal Revenue Code have eliminated the need for the IRA to qualify as a conduit IRA in order for the amounts therein to be rolled over into the TSP, and that the certification requirement will become obsolete effective January 1, 2002. While the TSP might seek information as to whether the amounts to be rolled over after 2001 include nondeductible or after-tax contributions, the letter explains that the IRA owner is the only party in a position to provide such information. Kathy D. Ireland Associate Counsel Attachment (in .pdf format)