



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

GREGORY T. LONG
Executive Director

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MEMORANDUM FOR BOARD MEMBERS SAUL, FINK, SANCHEZ, WHITING
AND DUFFY

FROM: GREG LONG, Executive Director and 
RENEE WILDER, Director, Research and Strategic Planning

SUBJECT: Update on Status of 2009 Legislative Initiatives

The June 2009 Thrift Savings Plan Enhancement Act of 2009 enabled the Thrift Savings Plan to implement several new features in the Plan, namely: a Roth TSP (allowing after-tax contributions), spousal beneficiary accounts, immediate agency contributions, automatic enrollment, and a mutual fund window. In addition, the legislation provided the TSP subpoena authority. This memorandum will provide a brief update on the status of the key elements of this legislation.

Spousal Beneficiary Accounts (Dec 2010, interim solution completed)

The implementation of spousal beneficiary accounts will allow beneficiary spouses of TSP participants to retain their spouse's account in the TSP. Previously, these beneficiaries were required to move the participant's full account balance out of the Plan (to an IRA, eligible employer plan, or cash out) within a period of 60 days. Until final programming for spousal beneficiary accounts can be completed, we are moving the funds into the G Fund and placing spouse beneficiary payments on hold. This new benefit will allow a TSP account to be established in the spouse beneficiary's name, provides the ability to direct the investment allocation of account balances, and gives access to the various withdrawal options available to separated participants.

Immediate Agency Contributions (Completed)

Immediately following the signing of the Act on June 21st, the TSP started accepting Agency Contributions from employing agencies. The payments began with the first full pay period in July. Previously, new Federal hires (FERS) would have waited a period between six to twelve months before receiving the Agency Automatic (1%) Contributions (and Agency Matching Contributions if they were contributing their own funds).

Automatic Enrollment (In Process – August implementation)

The legislation provides for automatic enrollment of new hires into the TSP, with a deferral of 3% of basic pay, which will then be matched dollar-for-dollar by the employing agencies (plus the Agency Automatic (1%) Contribution). Auto-

enrolled participants can always change or terminate their contributions. In addition, they will have a period of 90 days from receipt of their first contribution by the TSP to request a refund of any automatic enrollment contributions; although the refund is taxable, it is not subject to the early withdrawal penalty tax..

This initiative requires considerable programming effort on the part of the TSP, as well as remitting agencies. We have begun work on implementing automatic enrollment and are anticipating an August 2010 rollout with employing agencies remitting the 3% deferral and appropriate matching contributions. The G Fund will be used as the default investment option.

Roth TSP (In Process – 1st payroll in January 2012 implementation)

Full implementation of the Roth TSP will require completing systems changes allowing the TSP and employing agencies to separately remit and track pre- and after-tax contributions. The TSP will not only have to maintain these records, but will have to provide appropriate tax reporting and be able to correct errors in the characterization of the funds remitted. The addition of the Roth feature will require changes to virtually every system within the TSP, including the recordkeeping and accounting systems, as well as the web and call centers.

Because of the complexity of adding a Roth to the TSP, we decided to explore how best to assist participants with making appropriate election decisions. In an effort to better understand plan sponsor best practices and industry capabilities with respect to educating participants on making the Roth election decision, we held an Industry Day. About fifteen companies met with us to discuss participant education and investment/Roth guidance. Information gathered from this three day event will help us formulate the RFP for expanded participant education. We anticipate developing the RFP within the next two months, as developing our education strategy and integrating this into the rollout of the Roth will require considerable time and OPS resources.

Subpoena Authority (Completed)

The Act granted the TSP the authority to subpoena records. On January 19th, we published a proposed regulation providing interpretive guidance, such as method of service. We anticipate issuing a final regulation by the end of February.

Mutual Fund Window (No activity)

The legislation also allows the TSP to offer a feature which would allow participants to invest a portion of their TSP account balances in funds outside the core plan investment options. The TSP will further consider this option in cooperation with the Employee Thrift Advisory Council at a yet-to-be-determined date following the implementation of the other key initiatives in the legislation.