



TSP Modernization Act Signed into Law

On November 17, President Trump signed into law the TSP Modernization Act of 2017 (H.R.3031) which makes a number of changes to the Thrift Savings Plan (TSP) to assist current and retired federal employees. The legislation received bipartisan support and was introduced by Reps. Elijah Cummings (D-Md.) and Mark Meadows (R-N.C.) in the House and Sens. Rob Portman (R-Ohio) and Tom Carper (D-Del.) in the Senate.

“Our bipartisan bill [will] better align the TSP with other retirement plans offered by the private sector and state and local governments, and it would encourage participants to keep their TSP accounts to take advantage of low administrative fees even after they retire or separate from federal service,” said Rep. Cummings in a statement. “I thank the Federal Retirement Thrift Investment Board for working with us on this common-sense bill to give TSP participants what they want: greater flexibility to withdraw money from their accounts to address unexpected life events.”

The bill is significant for current and former federal employees. For federal employees separated from the federal workforce, the current rule allowing only one post-separation withdrawal (in either a lump-sum payment, monthly payments or annuity payments) will be changed to allow multiple, partial post-separation withdrawals that retirees can time to meet their individual needs.

For current federal employees over the age of 59½, the law allows for multiple age-based withdrawals. The law allows participants the election of quarterly or annual payments, permits periodic withdrawals to be changed at any point during the year and saves the option to purchase an annuity while recovering health benefits. Under current TSP rules, participants may only elect one partial age-based withdrawal after they turn 59½ or one partial post-separation withdrawal after separation from federal employment.

The Federal Retirement Investment Board, the body that oversees the TSP, has been directed to establish parameters as necessary to carry out the changes to the program no later than two years from the date of enactment.

PASS applauds Congress on the swift action to send this common-sense legislation to the president for his signature and looks forward to working with lawmakers on both sides of the aisle to strengthen and enhance the federal workforce.