

UPDATE

NAPS Leg/Reg Update - November 14, 2017

Congress Enacts TSP Modernization Legislation

Occasionally Congress actually gets something done and responds to a legitimate, pressing need. When that happens, it's usually the product of bipartisanship and non-controversy. Those conditions existed in the past month on Capitol Hill as Congress passed legislation that gives federal employees and former feds/retirees greater control over their Thrift Savings Plan retirement accounts.

The new law, called the [TSP Modernization Act](#), sensibly modifies the rules over TSP withdrawals by giving TSP participants greater flexibility over how frequently they make withdrawals from their accounts. The change comes on the heels of surveys that showed TSP participants wanted to have greater withdrawal flexibility.

Until now, Federal employees had been allowed only one partial post-separation withdrawal upon reaching age 59-1/2 while employed, or one withdrawal after retirement. The new law will permit an unlimited number of such withdrawals.

The bill also eliminates: (1) the automatic annuity as a default option if the plan participant does not make an election to establish an annuity, and (2) the limitation on age-based in-service withdrawals.

The Senate [cleared](#) the measure (HR 3031) on November 8, after it had [passed](#) the House on October 11. Rep. Elijah Cummings (D-MD) and Rep. Mark Meadows championed the measure, along with Sen. Rob Portman (R-OH) and Sen. Tom Carper (D-DE) in the Senate. The legislation awaits President Trump's signature.

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