

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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### Opening Statement Ranking Member Gerald E. Connolly

### H.R. 3031, TSP Modernization Act of 2017

July 19, 2017

Thank you, Mr. Chairman. I want to express my support for H.R. 3031, the TSP Modernization Act of 2017.

I thank Ranking Member Cummings and Government Operations Subcommittee Chairman Meadows for their work on this common-sense, good government bill.

They introduced this bipartisan bill to make the federal government's Thrift Savings Plan (TSP) more closely align with private sector best practices and allow TSP participants more flexible withdrawal options.

In 2013, the Federal Retirement Investment Thrift Board found that employees who separated from federal service transferred \$9 billion out of the TSP to other financial institutions.

Why did TSP participants do this? Because private sector 401K plans provided more flexibility and TSP participants wanted more options for withdrawing money in case they needed it.

A 2014 survey of TSP participants who withdrew funds showed that more than 50% reported that they would like more flexibility to withdraw funds to address life events.

Current law limits participants to only one withdrawal from their TSP accounts while in federal service upon reaching the age of 59 1/2.

And, participants who make this type of age-based withdrawal cannot take another partial withdrawal once they separate from service.

Similarly, participants who are separated from federal service and who have not made a prior age-based withdrawal are restricted to making only one partial separation withdrawal.

H.R. 3031 would eliminate these restrictions and allow participants to make multiple age-based and post-separation withdrawals from their TSP accounts. The bill also would allow participants to elect to combine partial withdrawals with an annuity.

It would also eliminate automatic annuities as a default option in the absence of an election by participants.

By providing greater withdrawal flexibility, studies show that participants would more likely keep their assets in their TSP accounts. For example, a study issued by Vanguard in 2013 found that 50% more participants and assets remain in retirement plans when partial distributions are allowed.

Providing more withdrawal options for federal employees and retirees in the TSP may help their financial security since administrative fees for the TSP are much lower than fees charged by other financial institutions.

Mr. Chairman, I ask for unanimous consent to enter the letters of support submitted by the National Active and Retired Federal Employees Association, the American Federation of Government Employees, and the National Treasury Employees Union.

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