

104TH CONGRESS
2D SESSION

S. 1080

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 4, 1996

Referred to the Committee on Government Reform and Oversight

AN ACT

To amend chapters 83 and 84 of title 5, United States Code, to provide additional investment funds for the Thrift Savings Plan, to permit employees to gain additional liquidity in their Thrift Savings Accounts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **TITLE I—ADDITIONAL INVEST-**
 2 **MENT FUNDS FOR THE**
 3 **THRIFT SAVINGS PLAN**

4 **SEC. 101. SHORT TITLE.**

5 This title may be cited as the “Thrift Savings Invest-
 6 ment Funds Act of 1996”.

7 **SEC. 102. ADDITIONAL INVESTMENT FUNDS FOR THE**
 8 **THRIFT SAVINGS PLAN.**

9 Section 8438 of title 5, United States Code, is
 10 amended—

11 (1) in subsection (a)—

12 (A) by redesignating paragraphs (5)
 13 through (8) as paragraphs (6) through (9), re-
 14 spectively;

15 (B) by inserting after paragraph (4) the
 16 following new paragraph:

17 “(5) the term ‘International Stock Index Invest-
 18 ment Fund’ means the International Stock Index In-
 19 vestment Fund established under subsection
 20 (b)(1)(E);”;

21 (C) in paragraph (8) (as redesignated by
 22 subparagraph (A) of this paragraph) by strik-
 23 ing out “and” at the end thereof;

24 (D) in paragraph (9) (as redesignated by
 25 subparagraph (A) of this paragraph)—

1 (i) by striking out “paragraph
2 (7)(D)” in each place it appears and in-
3 serting in each such place “paragraph
4 (8)(D)”; and

5 (ii) by striking out the period and in-
6 serting in lieu thereof a semicolon and
7 “and”; and

8 (E) by adding at the end thereof the fol-
9 lowing new paragraph:

10 “(10) the term ‘Small Capitalization Stock
11 Index Investment Fund’ means the Small Capitaliza-
12 tion Stock Index Investment Fund established under
13 subsection (b)(1)(D).”; and

14 (2) in subsection (b)—

15 (A) in paragraph (1)—

16 (i) in subparagraph (B) by striking
17 out “and” at the end thereof;

18 (ii) in subparagraph (C) by striking
19 out the period and inserting in lieu thereof
20 a semicolon; and

21 (iii) by adding at the end thereof the
22 following new subparagraphs:

23 “(D) a Small Capitalization Stock Index
24 Investment Fund as provided in paragraph (3);
25 and

1 “(E) an International Stock Index Invest-
2 ment Fund as provided in paragraph (4).”; and

3 (B) by adding at the end thereof the fol-
4 lowing new paragraphs:

5 “(3)(A) The Board shall select an index which
6 is a commonly recognized index comprised of com-
7 mon stock the aggregate market value of which rep-
8 resents the United States equity markets excluding
9 the common stocks included in the Common Stock
10 Index Investment Fund.

11 “(B) The Small Capitalization Stock Index In-
12 vestment Fund shall be invested in a portfolio de-
13 signed to replicate the performance of the index in
14 subparagraph (A). The portfolio shall be designed
15 such that, to the extent practicable, the percentage
16 of the Small Capitalization Stock Index Investment
17 Fund that is invested in each stock is the same as
18 the percentage determined by dividing the aggregate
19 market value of all shares of that stock by the ag-
20 gregate market value of all shares of all stocks in-
21 cluded in such index.

22 “(4)(A) The Board shall select an index which
23 is a commonly recognized index comprised of stock
24 the aggregate market value of which is a reasonably

1 complete representation of the international equity
2 markets excluding the United States equity markets.

3 “(B) The International Stock Index Investment
4 Fund shall be invested in a portfolio designed to rep-
5 licate the performance of the index in subparagraph
6 (A). The portfolio shall be designed such that, to the
7 extent practicable, the percentage of the Inter-
8 national Stock Index Investment Fund that is in-
9 vested in each stock is the same as the percentage
10 determined by dividing the aggregate market value
11 of all shares of that stock by the aggregate market
12 value of all shares of all stocks included in such
13 index.”.

14 **SEC. 103. ACKNOWLEDGEMENT OF INVESTMENT RISK.**

15 Section 8439(d) of title 5, United States Code, is
16 amended by striking out “Each employee, Member, former
17 employee, or former Member who elects to invest in the
18 Common Stock Index Investment Fund or the Fixed In-
19 come Investment Fund described in paragraphs (1) and
20 (3),” and inserting in lieu thereof “Each employee, Mem-
21 ber, former employee, or former Member who elects to in-
22 vest in the Common Stock Index Investment Fund, the
23 Fixed Income Investment Fund, the International Stock
24 Index Investment Fund, or the Small Capitalization Stock

1 Index Investment Fund, defined in paragraphs (1), (3),
 2 (5), and (10),”.

3 **SEC. 104. EFFECTIVE DATE.**

4 This title shall take effect on the date of enactment
 5 of this Act, and the Funds established under this title
 6 shall be offered for investment at the earliest practicable
 7 election period (described in section 8432(b) of title 5,
 8 United States Code) as determined by the Executive Di-
 9 rector in regulations.

10 **TITLE II—THRIFT SAVINGS**
 11 **ACCOUNTS LIQUIDITY**

12 **SEC. 201. SHORT TITLE.**

13 This title may be cited as the “Thrift Savings Plan
 14 Act of 1996”.

15 **SEC. 202. NOTICE TO SPOUSES FOR IN-SERVICE WITHDRAW-**
 16 **ALS; DE MINIMUS ACCOUNTS; CIVIL SERVICE**
 17 **RETIREMENT SYSTEM PARTICIPANTS.**

18 Section 8351(b) of title 5, United States Code, is
 19 amended—

20 (1) in paragraph (5)—

21 (A) in subparagraph (B)—

22 (i) by striking out “An election,
 23 change of election, or modification (relat-
 24 ing to the commencement date of a de-

- 1 ferred annuity)” and inserting in lieu
2 thereof “An election or change of election”;
3 (ii) by inserting “or withdrawal” after
4 “and a loan”;
5 (iii) by inserting “and (h)” after
6 “8433(g)”;
7 (iv) by striking out “the election,
8 change of election, or modification” and in-
9 serting in lieu thereof “the election or
10 change of election”; and
11 (v) by inserting “or withdrawal” after
12 “for such loan”; and
13 (B) in subparagraph (D)—
14 (i) by inserting “or withdrawals” after
15 “of loans”; and
16 (ii) by inserting “or (h)” after
17 “8433(g)”;
18 (2) in paragraph (6)—
19 (A) by striking out “\$3,500 or less” and
20 inserting in lieu thereof “less than an amount
21 that the Executive Director prescribes by regu-
22 lation”; and
23 (B) by striking out “unless the employee
24 or Member elects, at such time and otherwise in
25 such manner as the Executive Director pre-

1 scribes, one of the options available under sub-
2 section (b)”.
3

3 **SEC. 203. IN-SERVICE WITHDRAWALS; WITHDRAWAL ELEC-**
4 **TIONS, FEDERAL EMPLOYEES RETIREMENT**
5 **SYSTEM PARTICIPANTS.**

6 (a) IN GENERAL.—Section 8433 of title 5, United
7 States Code, is amended—

8 (1) by striking out subsections (b) and (c) and
9 inserting in lieu thereof the following:

10 “(b) Subject to section 8435 of this title, any em-
11 ployee or Member who separates from Government em-
12 ployment is entitled and may elect to withdraw from the
13 Thrift Savings Fund the balance of the employee’s or
14 Member’s account as—

15 “(1) an annuity;

16 “(2) a single payment;

17 “(3) 2 or more substantially equal payments to
18 be made not less frequently than annually; or

19 “(4) any combination of payments as provided
20 under paragraphs (1) through (3) as the Executive
21 Director may prescribe by regulation.

22 “(c)(1) In addition to the right provided under sub-
23 section (b) to withdraw the balance of the account, an em-
24 ployee or Member who separates from Government service
25 and who has not made a withdrawal under subsection

1 (h)(1)(A) may make one withdrawal of any amount as a
2 single payment in accordance with subsection (b)(2) from
3 the employee's or Member's account.

4 “(2) An employee or Member may request that the
5 amount withdrawn from the Thrift Savings Fund in ac-
6 cordance with subsection (b)(2) be transferred to an eligi-
7 ble retirement plan.

8 “(3) The Executive Director shall make each transfer
9 elected under paragraph (2) directly to an eligible retire-
10 ment plan or plans (as defined in section 402(c)(8) of the
11 Internal Revenue Code of 1986) identified by the em-
12 ployee, Member, former employee, or former Member for
13 whom the transfer is made.

14 “(4) A transfer may not be made for an employee,
15 Member, former employee, or former Member under para-
16 graph (2) until the Executive Director receives from that
17 individual the information required by the Executive Di-
18 rector specifically to identify the eligible retirement plan
19 or plans to which the transfer is to be made.”;

20 (2) in subsection (d)—

21 (A) in paragraph (1) by striking out “Sub-
22 ject to paragraph (3)(A)” and inserting in lieu
23 thereof “Subject to paragraph (3)”;

1 (B) by striking out paragraph (2) and re-
2 designating paragraph (3) as paragraph (2);
3 and

4 (C) in paragraph (2) (as redesignated
5 under subparagraph (B) of this paragraph)—

6 (i) in subparagraph (A) by striking
7 out “(A)”; and

8 (ii) by striking out subparagraph (B);
9 (3) in subsection (f)(1)—

10 (A) by striking out “\$3,500 or less” and
11 inserting in lieu thereof “less than an amount
12 that the Executive Director prescribes by regu-
13 lation; and

14 (B) by striking out “unless the employee
15 or Member elects, at such time and otherwise in
16 such manner as the Executive Director pre-
17 scribes, one of the options available under sub-
18 section (b), or” and inserting a comma;

19 (4) in subsection (f)(2)—

20 (A) by striking out “February 1” and in-
21 serting in lieu thereof “April 1”;

22 (B) in subparagraph (A)—

23 (i) by striking out “65” and inserting
24 in lieu thereof “70½”; and

1 (ii) by inserting “or” after the semi-
2 colon;

3 (C) by striking out subparagraph (B); and

4 (D) by redesignating subparagraph (C) as
5 subparagraph (B);

6 (5) in subsection (g)—

7 (A) in paragraph (1) by striking out “after
8 December 31, 1987, and”, and by adding at the
9 end of the paragraph the following sentence:

10 “Before a loan is issued, the Executive Director
11 shall provide in writing the employee or Mem-
12 ber with appropriate information concerning the
13 cost of the loan relative to other sources of fi-
14 nancing, as well as the lifetime cost of the loan,
15 including the difference in interest rates be-
16 tween the funds offered by the Thrift Savings
17 Fund, and any other effect of such loan on the
18 employee’s or Member’s final account balance.”;

19 and

20 (B) by striking out paragraph (2) and re-
21 designating paragraphs (3) through (5) as
22 paragraphs (2) through (4), respectively; and

23 (6) by adding after subsection (g) the following
24 new subsection:

1 “(h)(1) An employee or Member may apply, before
2 separation, to the Board for permission to withdraw an
3 amount from the employee’s or Member’s account based
4 upon—

5 “(A) the employee or Member having attained
6 age 59½; or

7 “(B) financial hardship.

8 “(2) A withdrawal under paragraph (1)(A) shall be
9 available to each eligible participant one time only.

10 “(3) A withdrawal under paragraph (1)(B) shall be
11 available only for an amount not exceeding the value of
12 that portion of such account which is attributable to con-
13 tributions made by the employee or Member under section
14 8432(a) of this title.

15 “(4) Withdrawals under paragraph (1) shall be sub-
16 ject to such other conditions as the Executive Director
17 may prescribe by regulation.

18 “(5) A withdrawal may not be made under this sub-
19 section unless the requirements of section 8435(e) of this
20 title are satisfied.”.

21 (b) INVALIDITY OF CERTAIN PRIOR ELECTIONS.—
22 Any election made under section 8433(b)(2) of title 5,
23 United States Code (as in effect before the effective date
24 of this title), with respect to an annuity which has not
25 commenced before the implementation date of this title as

1 provided by regulation by the Executive Director in ac-
 2 cordance with section 207 of this title, shall be invalid.

3 **SEC. 204. SURVIVOR ANNUITIES FOR FORMER SPOUSES;**
 4 **NOTICE TO FEDERAL EMPLOYEES RETIRE-**
 5 **MENT SYSTEM SPOUSES FOR IN-SERVICE**
 6 **WITHDRAWALS.**

7 Section 8435 of title 5, United States Code, is
 8 amended—

9 (1) in subsection (a)(1)(A)—

10 (A) by striking out “may make an election
 11 under subsection (b)(3) or (b)(4) of section
 12 8433 of this title or change an election pre-
 13 viously made under subsection (b)(1) or (b)(2)
 14 of such section” and inserting in lieu thereof
 15 “may withdraw all or part of a Thrift Savings
 16 Fund account under subsection (b) (2), (3), or
 17 (4) of section 8433 of this title or change a
 18 withdrawal election”; and

19 (B) by adding at the end thereof “A mar-
 20 ried employee or Member (or former employee
 21 or Member) may make a withdrawal from a
 22 Thrift Savings Fund account under subsection
 23 (c)(1) of section 8433 of this title only if the
 24 employee or Member (or former employee or

1 Member) satisfies the requirements of subpara-
2 graph (B).”;

3 (2) in subsection (c)—

4 (A) in paragraph (1)—

5 (i) by striking out “An election,
6 change of election, or modification of the
7 commencement date of a deferred annuity”
8 and inserting in lieu thereof “An election
9 or change of election”; and

10 (ii) by striking out “modification, or
11 transfer” and inserting in lieu thereof “or
12 transfer”; and

13 (B) in paragraph (2) in the matter follow-
14 ing subparagraph (B)(ii) by striking out “modi-
15 fication,”;

16 (3) in subsection (e)—

17 (A) in paragraph (1)—

18 (i) in subparagraph (A)—

19 (I) by inserting “or withdrawal”
20 after “A loan”;

21 (II) by inserting “and (h)” after
22 “8433(g)”; and

23 (III) by inserting “or with-
24 drawal” after “such loan”;

- 1 (ii) in subparagraph (B) by inserting
 2 “or withdrawal” after “loan”; and
 3 (iii) in subparagraph (C)—
 4 (I) by inserting “or withdrawal”
 5 after “to a loan”; and
 6 (II) by inserting “or withdrawal”
 7 after “for such loan”; and
 8 (B) in paragraph (2)—
 9 (i) by inserting “or withdrawal” after
 10 “loan”; and
 11 (ii) by inserting “and (h)” after
 12 “8344(g)”; and
 13 (4) in subsection (g)—
 14 (A) by inserting “or withdrawals” after
 15 “loans”; and
 16 (B) by inserting “and (h)” after
 17 “8344(g)”.

18 **SEC. 205. DE MINIMUS ACCOUNTS RELATING TO THE JUDI-**
 19 **CIARY.**

20 (a) **JUSTICES AND JUDGES.**—Section 8440a(b)(7) of
 21 title 5, United States Code, is amended—

- 22 (1) by striking out “\$3,500 or less” and insert-
 23 ing in lieu thereof “less than an amount that the
 24 Executive Director prescribes by regulation”; and

1 (2) by striking out “unless the justice or judge
2 elects, at such time and otherwise in such manner
3 as the Executive Director prescribes, one of the op-
4 tions available under section 8433(b)”.

5 (b) BANKRUPTCY JUDGES AND MAGISTRATES.—Sec-
6 tion 8440b(b) of title 5, United States Code, is amended—

7 (1) in paragraph (7) in the first sentence by in-
8 serting “of the distribution” after “equal to the
9 amount”; and

10 (2) in paragraph (8)—

11 (A) by striking out “\$3,500 or less” and
12 inserting in lieu thereof “less than an amount
13 that the Executive Director prescribes by regu-
14 lation”; and

15 (B) by striking out “unless the bankruptcy
16 judge or magistrate elects, at such time and
17 otherwise in such manner as the Executive Di-
18 rector prescribes, one of the options available
19 under subsection (b)”.

20 (c) FEDERAL CLAIMS JUDGES.—Section 8440c(b) of
21 title 5, United States Code, is amended—

22 (1) in paragraph (7) in the first sentence by in-
23 serting “of the distribution” after “equal to the
24 amount”; and

25 (2) in paragraph (8)—

1 (A) by striking out “\$3,500 or less” and
2 inserting in lieu thereof “less than an amount
3 that the Executive Director prescribes by regu-
4 lation”; and

5 (B) by striking out “unless the judge
6 elects, at such time and otherwise in such man-
7 ner as the Executive Director prescribes, one of
8 the options available under section 8433(b)”.

9 **SEC. 206. DEFINITION OF BASIC PAY.**

10 (a) IN GENERAL.—(1) Section 8401(4) of title 5,
11 United States Code, is amended by striking out “except
12 as provided in subchapter III of this chapter,”.

13 (2) Section 8431 of title 5, United States Code, is
14 repealed.

15 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

16 (1) The table of sections for chapter 84 of title 5, United
17 States Code, is amended by striking out the item relating
18 to section 8431.

19 (2) Section 5545a(h)(2)(A) of title 5, United States
20 Code, is amended by striking out “8431,”.

21 (3) Section 615(f) of the Treasury, Postal Service,
22 and General Government Appropriations Act, 1996 (Pub-
23 lic Law 104–52; 109 Stat. 500; 5 U.S.C. 5343 note) is
24 amended by striking out “section 8431 of title 5, United
25 States Code,”.

1 **SEC. 207. EFFECTIVE DATE.**

2 This title shall take effect on the date of the enact-
3 ment of this Act and withdrawals and elections as pro-
4 vided under the amendments made by this title shall be
5 made at the earliest practicable date as determined by the
6 Executive Director in regulations.

Passed the Senate September 17, 1996.

Attest:

GARY SISCO,
Secretary.