



Bill to improve FERS, TSP advances on Capitol Hill

The House has approved legislation promoted by NALC that addresses two long-standing disparities in treatment between workers covered by the Federal Employees' Retirement System (FERS) and those in the Civil Service Retirement System (CSRS).

Under the bill, H.R. 1804, employees covered by FERS would get service credit for unused sick leave when determining their retirement benefits, as do those under the older CSRS. It also gives FERS employees who leave federal service and withdraw their retirement contributions the same right CSRS employees now have to "buyback" that service credit by re-depositing their contributions in the event they return to federal service.

H.R. 1804, approved on a voice vote April 1, also includes a number of changes affecting the Thrift Savings Plan that are backed by NALC.

Among these is a provision that makes enrollment of new employees

in the TSP automatic with immediate matching contributions. Now, many new employees who are unfamiliar with how important the TSP is for their retirement fail to sign up and lose out on its benefits.

Under the provision, agencies will automatically deduct from 2 to 5 percent from a new worker's paycheck for

deposit in the employee's TSP account. The specific amount of the initial automatic contribution will be set by the Federal Retirement Thrift Investment Board, which governs the TSP.

The automatic savings initially will go into the plan's G Fund, unless the employee directs otherwise. The change will ensure that no new employee misses out on the tax savings and matching contributions—up to 5 percent of pay—offered by the TSP. While the legislation would change the current "opt-in" enrollment to an "opt-out" system, it maintains both the workers' right to not participate and the right to invest their funds in any of the TSP investment options.

The new legislation also gives the Federal Retirement Thrift Investment Board guidance on two new TSP options.

One provision calls for creation of a "Roth" option for TSP contributions, allowing federal workers to make post-tax contributions to the TSP instead of pre-tax contributions. This option might make sense in some circumstances, although probably not for most carriers.

The other gives the Board the authority to create a "mutual fund window" if it determines that doing so is in the best interests of TSP participants. If created, the option would give participants the chance to invest in a wide range of mutual funds while bearing all the costs of doing so. Specific rules and regulations governing this "window" would be set by the Board after consultations with the Employee Thrift Advisory Council. NALC is one of the employee and management organizations that make up the advisory council.

The Senate is expected to consider legislation similar to H.R. 1804 in the near future. NALC will monitor its progress and advise members of important developments. ☒

Rap Session/Training Conference



The national training conference and rap session was being held in Las Vegas at the time this issue went to press. Complete coverage of the event will be in the June issue of *The Postal Record*.