

Calendar No. 412

104TH CONGRESS
2^D SESSION

S. 1080

[Report No. 104-274]

A BILL

To amend chapter 84 of title 5, United States Code, to provide additional investment funds for the Thrift Savings Plan.

MAY 16, 1996

Reported with an amendment and an amendment to the
title

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To amend chapter 84 of title 5, United States Code, to provide additional investment funds for the Thrift Savings Plan.

IN THE SENATE OF THE UNITED STATES

JULY 27 (legislative day, JULY 10), 1995

Mr. STEVENS (for himself, Mr. PRYOR, and Mr. ROTH) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

MAY 16, 1996

Reported by Mr. STEVENS, with an amendment and an amendment to the title
[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend chapter 84 of title 5, United States Code, to provide additional investment funds for the Thrift Savings Plan.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Thrift Savings Invest-
5 ment Funds Act of 1995”.

1 **SEC. 2. ADDITIONAL INVESTMENT FUNDS FOR THE THRIFT**
 2 **SAVINGS PLAN.**

3 Section 8438 of title 5, United States Code, is
 4 amended—

5 (1) in subsection (a)—

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

9 (B) by inserting after paragraph (4) the
 10 following new paragraph:

11 “(5) the term ‘International Stock Index Invest-
 12 ment Fund’ means the International Stock Index In-
 13 vestment Fund established under subsection
 14 (b)(1)(E);”;

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

18 (D) in paragraph (9) (as redesignated by
 19 subparagraph (A) of this paragraph)—

20 (i) by striking out “paragraph
 21 (7)(D)” in each place it appears and in-
 22 serting in each such place “paragraph
 23 (8)(D);” and

24 (ii) by striking out the period and in-
 25 serting in lieu thereof a semicolon and
 26 “and”; and

1 ~~(E)~~ by adding at the end thereof the fol-
 2 lowing new paragraph:

3 ~~“(10)~~ the term ‘Small Capitalization Stock
 4 Index Investment Fund’ means the Small Capitaliza-
 5 tion Stock Index Investment Fund established under
 6 subsection ~~(b)(1)(D).~~”; and

7 ~~(2)~~ in subsection (b)—

8 (A) in paragraph (1)—

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

11 (ii) in subparagraph (C) by striking
 12 out the period and inserting in lieu thereof
 13 a semicolon; and

14 (iii) by adding at the end thereof the
 15 following new subparagraphs:

16 ~~“(D)~~ a Small Capitalization Stock Index
 17 Investment Fund as provided in paragraph ~~(3)~~;
 18 and

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

21 ~~(B)~~ by adding at the end thereof the fol-
 22 lowing new paragraphs:

23 ~~“(3)(A)~~ The Board shall select an index which
 24 is a commonly recognized index comprised of com-
 25 mon stock the aggregate market value of which rep-

1 represents the United States equity markets excluding
2 the common stocks included in the Common Stock
3 Index Investment Fund.

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

15 “(4)(A) The Board shall select an index which
16 is a commonly recognized index comprised of stock
17 the aggregate market value of which is a reasonably
18 complete representation of the international equity
19 markets excluding the United States equity markets.

20 “(B) The International Stock Index Investment
21 Fund shall be invested in a portfolio designed to rep-
22 licate the performance of the index in subparagraph
23 (A). The portfolio shall be designed such that, to the
24 extent practicable, the percentage of the Inter-
25 national Stock Index Investment Fund that is in-

1 vested in each stock is the same as the percentage
2 determined by dividing the aggregate market value
3 of all shares of that stock by the aggregate market
4 value of all shares of all stocks included in such
5 index.”.

6 **SEC. 3. ACKNOWLEDGEMENT OF INVESTMENT RISK.**

7 Section 8439(d) of title 5, United States Code, is
8 amended by striking out “Each employee, Member, former
9 employee, or former Member who elects to invest in the
10 Common Stock Index Investment Fund or the Fixed In-
11 come Investment Fund described in paragraphs (1) and
12 (3),” and inserting in lieu thereof “Each employee, Mem-
13 ber, former employee, or former Member who elects to in-
14 vest in the Common Stock Index Investment Fund, the
15 Fixed Income Investment Fund, the International Stock
16 Index Investment Fund, or the Small Capitalization Stock
17 Index Investment Fund, defined in paragraphs (1), (3),
18 (5), and (10),”.

19 **SEC. 4. EFFECTIVE DATE.**

20 This Act shall take effect on the date of enactment
21 of this Act, and the Funds established under this Act shall
22 be offered for investment at the earliest practicable elec-
23 tion period (described in section 8432(b) of title 5, United
24 States Code) as determined by the Executive Director in
25 regulations.

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 amend-*
 10 *ed—*

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 fol-*
 16 *lowing 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 striking*
 23 *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 (7)(D)”
2 in each place it appears and inserting in
3 each such place “paragraph (8)(D)”; and

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

7 (E) by adding at the end thereof the follow-
8 ing new paragraph:

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

13 (2) in subsection (b)—

14 (A) in paragraph (1)—

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

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

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

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

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

3 (B) by adding at the end thereof the follow-
4 ing new paragraphs:

5 “(3)(A) The Board shall select an index which is
6 a commonly recognized index comprised of common
7 stock the aggregate market value of which represents
8 the United States equity markets excluding the com-
9 mon stocks included in the Common Stock Index In-
10 vestment 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 of
16 the Small Capitalization Stock Index Investment
17 Fund that is invested in each stock is the same as the
18 percentage determined by dividing the aggregate mar-
19 ket value of all shares of that stock by the aggregate
20 market value of all shares of all stocks included in
21 such index.

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

1 *plete representation of the international equity mar-*
2 *kets 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 International*
8 *Stock Index Investment Fund that is invested in each*
9 *stock is the same as the percentage determined by di-*
10 *viding the aggregate market value of all shares of that*
11 *stock by the aggregate market value of all shares of*
12 *all stocks included in such index.”.*

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

14 *Section 8439(d) of title 5, United States Code, is*
15 *amended by striking out “Each employee, Member, former*
16 *employee, or former Member who elects to invest in the*
17 *Common Stock Index Investment Fund or the Fixed Income*
18 *Investment Fund described in paragraphs (1) and (3),” and*
19 *inserting in lieu thereof “Each employee, Member, former*
20 *employee, or former Member who elects to invest in the*
21 *Common Stock Index Investment Fund, the Fixed Income*
22 *Investment Fund, the International Stock Index Investment*
23 *Fund, or the Small Capitalization Stock Index Investment*
24 *Fund, defined in paragraphs (1), (3), (5), and (10),”.*

1 **SEC. 104. EFFECTIVE DATE.**

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

8 **TITLE II—THRIFT SAVINGS**
 9 **ACCOUNTS LIQUIDITY**

10 **SEC. 201. SHORT TITLE.**

11 *This title may be cited as the “Thrift Savings Plan*
 12 *Act of 1996”.*

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

16 *Section 8351(b) of title 5, United States Code, is*
 17 *amended—*

18 *(1) in paragraph (5)—*

19 *(A) in subparagraph (B)—*

20 *(i) by striking out “An election, change*
 21 *of election, or modification (relating to the*
 22 *commencement date of a deferred annuity)”*
 23 *and inserting in lieu thereof “An election or*
 24 *change of election”;*

25 *(ii) by inserting “or withdrawal” after*
 26 *“and a loan”;*

1 (iii) by inserting “and (h)” after
2 “8433(g)”;

3 (iv) by striking out “the election,
4 change of election, or modification” and in-
5 serting in lieu thereof “the election or
6 change of election”; and

7 (v) by inserting “or withdrawal” after
8 “for such loan”; and

9 (B) in subparagraph (D)—

10 (i) by inserting “or withdrawals” after
11 “of loans”; and

12 (ii) by inserting “or (h)” after
13 “8433(g)”;

14 (2) in paragraph (6)—

15 (A) by striking out “\$3,500 or less” and in-
16 serting in lieu thereof “less than an amount that
17 the Executive Director prescribes by regulation”;
18 and

19 (B) by striking out “unless the employee or
20 Member elects, at such time and otherwise in
21 such manner as the Executive Director pre-
22 scribes, one of the options available under sub-
23 section (b)”.

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

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

6 (1) *by striking out subsections (b) and (c) and*
7 *inserting in lieu thereof the following:*

8 “(b) *Subject to section 8435 of this title, any employee*
9 *or Member who separates from Government employment is*
10 *entitled and may elect to withdraw from the Thrift Savings*
11 *Fund the balance of the employee’s or Member’s account*
12 *as—*

13 “(1) *an annuity;*

14 “(2) *a single payment;*

15 “(3) *2 or more substantially equal payments to*
16 *be made not less frequently than annually; or*

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

20 “(c)(1) *In addition to the right provided under sub-*
21 *section (b) to withdraw the balance of the account, an em-*
22 *ployee or Member who separates from Government service*
23 *and who has not made a withdrawal under subsection*
24 *(h)(1)(A) may make one withdrawal of any amount as a*
25 *single payment in accordance with subsection (b)(2) from*
26 *the employee’s or Member’s account.*

1 “(2) *An employee or Member may request that the*
 2 *amount withdrawn from the Thrift Savings Fund in ac-*
 3 *cordance with subsection (b)(2) be transferred to an eligible*
 4 *retirement plan.*

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

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

17 (2) *in subsection (d)—*

18 (A) *in paragraph (1) by striking out “Sub-*
 19 *ject to paragraph (3)(A)” and inserting in lieu*
 20 *thereof “Subject to paragraph (3)”;*

21 (B) *by striking out paragraph (2) and re-*
 22 *designating paragraph (3) as paragraph (2);*
 23 *and*

24 (C) *in paragraph (2) (as redesignated*
 25 *under subparagraph (B) of this paragraph)—*

1 (i) in subparagraph (A) by striking
2 out “(A)”; and

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

5 (A) by striking out “\$3,500 or less” and in-
6 serting in lieu thereof “less than an amount that
7 the Executive Director prescribes by regulation;
8 and

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

14 (4) in subsection (f)(2)—

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

17 (B) in subparagraph (A)—

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

20 (ii) by inserting “or” after the semi-
21 colon;

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

23 (D) by redesignating subparagraph (C) as
24 subparagraph (B);

25 (5) in subsection (g)—

1 (A) in paragraph (1) by striking out “after
2 December 31, 1987, and”; and

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

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

8 “(h)(1) An employee or Member may apply, before sep-
9 aration, to the Board for permission to withdraw an
10 amount from the employee’s or Member’s account based
11 upon—

12 “(A) the employee or Member having attained
13 age 59½; or

14 “(B) financial hardship.

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

17 “(3) A withdrawal under paragraph (1)(B) shall be
18 available only for an amount not exceeding the value of that
19 portion of such account which is attributable to contribu-
20 tions made by the employee or Member under section
21 8432(a) of this title.

22 “(4) Withdrawals under paragraph (1) shall be subject
23 to such other conditions as the Executive Director may pre-
24 scribe by regulation.

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

4 (b) *INVALIDITY OF CERTAIN PRIOR ELECTIONS.*—Any
 5 election made under section 8433(b)(2) of title 5, United
 6 States Code (as in effect before the effective date of this title),
 7 with respect to an annuity which has not commenced before
 8 the implementation date of this title as provided by regula-
 9 tion by the Executive Director in accordance with section
 10 207 of this title, shall be invalid.

11 **SEC. 204. SURVIVOR ANNUITIES FOR FORMER SPOUSES;**
 12 **NOTICE TO FEDERAL EMPLOYEES RETIRE-**
 13 **MENT SYSTEM SPOUSES FOR IN-SERVICE**
 14 **WITHDRAWALS.**

15 Section 8435 of title 5, United States Code, is amend-
 16 ed—

17 (1) in subsection (a)(1)(A)—

18 (A) by striking out “may make an election
 19 under subsection (b)(3) or (b)(4) of section 8433
 20 of this title or change an election previously
 21 made under subsection (b)(1) or (b)(2) of such
 22 section” and inserting in lieu thereof “may with-
 23 draw all or part of a Thrift Savings Fund ac-
 24 count under subsection (b) (2), (3), or (4) of sec-

1 *tion 8433 of this title or change a withdrawal*
 2 *election”;* and

3 (B) *by adding at the end thereof “A mar-*
 4 *ried employee or Member (or former employee or*
 5 *Member) may make a withdrawal from a Thrift*
 6 *Savings Fund account under subsection (c)(1) of*
 7 *section 8433 of this title only if the employee or*
 8 *Member (or former employee or Member) satisfies*
 9 *the requirements of subparagraph (B).”;*

10 (2) *in subsection (c)—*

11 (A) *in paragraph (1)—*

12 (i) *by striking out “An election, change*
 13 *of election, or modification of the commence-*
 14 *ment date of a deferred annuity” and in-*
 15 *serting in lieu thereof “An election or*
 16 *change of election”;* and

17 (ii) *by striking out “modification, or*
 18 *transfer” and inserting in lieu thereof “or*
 19 *transfer”;* and

20 (B) *in paragraph (2) in the matter follow-*
 21 *ing subparagraph (B)(ii) by striking out “modi-*
 22 *fication,”;*

23 (3) *in subsection (e)—*

24 (A) *in paragraph (1)—*

25 (i) *in subparagraph (A)—*

1 (I) by inserting “or withdrawal”
2 after “A loan”;

3 (II) by inserting “and (h)” after
4 “8433(g)”; and

5 (III) by inserting “or with-
6 drawal” after “such loan”;

7 (ii) in subparagraph (B) by inserting
8 “or withdrawal” after “loan”; and

9 (iii) in subparagraph (C)—

10 (I) by inserting “or withdrawal”
11 after “to a loan”; and

12 (II) by inserting “or withdrawal”
13 after “for such loan”; and

14 (B) in paragraph (2)—

15 (i) by inserting “or withdrawal” after
16 “loan”; and

17 (ii) by inserting “and (h)” after
18 “8344(g)”; and

19 (4) in subsection (g)—

20 (A) by inserting “or withdrawals” after
21 “loans”; and

22 (B) by inserting “and (h)” after “8344(g)”.

1 **SEC. 205. DE MINIMUS ACCOUNTS RELATING TO THE JUDI-**
2 **CIARY.**

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

5 (1) *by striking out “\$3,500 or less” and insert-*
6 *ing in lieu thereof “less than an amount that the Ex-*
7 *ecutive Director prescribes by regulation”; and*

8 (2) *by striking out “unless the justice or judge*
9 *elects, at such time and otherwise in such manner as*
10 *the Executive Director prescribes, one of the options*
11 *available under section 8433(b)”.*

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

14 (1) *in paragraph (7) in the first sentence by in-*
15 *serting “of the distribution” after “equal to the*
16 *amount”; and*

17 (2) *in paragraph (8)—*

18 (A) *by striking out “\$3,500 or less” and in-*
19 *serting in lieu thereof “less than an amount that*
20 *the Executive Director prescribes by regulation”;*
21 *and*

22 (B) *by striking out “unless the bankruptcy*
23 *judge or magistrate elects, at such time and oth-*
24 *erwise in such manner as the Executive Director*
25 *prescribes, one of the options available under*
26 *subsection (b)”.*

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

3 (1) *in paragraph (7) in the first sentence by in-*
4 *serting “of the distribution” after “equal to the*
5 *amount”; and*

6 (2) *in paragraph (8)—*

7 (A) *by striking out “\$3,500 or less” and in-*
8 *serting in lieu thereof “less than an amount that*
9 *the Executive Director prescribes by regulation”;*
10 *and*

11 (B) *by striking out “unless the judge elects,*
12 *at such time and otherwise in such manner as*
13 *the Executive Director prescribes, one of the op-*
14 *tions available under section 8433(b)”.*

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

16 (a) *IN GENERAL.*—(1) *Section 8401(4) of title 5, Unit-*
17 *ed States Code, is amended by striking out “except as pro-*
18 *vided in subchapter III of this chapter,”.*

19 (2) *Section 8431 of title 5, United States Code, is re-*
20 *pealed.*

21 (b) *TECHNICAL AND CONFORMING AMENDMENTS.*—(1)
22 *The table of sections for chapter 84 of title 5, United States*
23 *Code, is amended by striking out the item relating to section*
24 *8431.*

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

3 (3) *Section 615(f) of the Treasury, Postal Service, and*
4 *General Government Appropriations Act, 1996 (Public Law*
5 *104–52; 109 Stat. 500; 5 U.S.C. 5343 note) is amended by*
6 *striking out “section 8431 of title 5, United States Code,”.*

7 **SEC. 207. EFFECTIVE DATE.**

8 *This title shall take effect on the date of the enactment*
9 *of this Act and withdrawals and elections as provided under*
10 *the amendments made by this title shall be made at the*
11 *earliest practicable date as determined by the Executive Di-*
12 *rector in regulations.*

Amend the title so as to read: “A bill 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.”.