

Draft Resolution for Consideration by ETAC members

Offered for discussion by Richard Strombotne, representing the Senior Executives Association.
June 30, 2008

Subject: Enable Spouse Survivor Beneficiary of TSP Account Owner to Take Ownership of Account.

Whereas: The Thrift Savings Plan (TSP) has more than \$234 billion in invested assets of its account owners, four broadly based index funds and the G-fund and five life-cycle funds based on these five single purpose funds, providing a diversity of investment options, and

Whereas: The cost of administering the TSP is lower than the administrative costs of all mutual funds and other index fund type investments, and

Whereas: When the owner of a TSP account dies and leaves a surviving spouse as beneficiary, the spouse survivor receives the assets but not the ownership of the account, and

Whereas: The surviving spouse beneficiary must either accept the assets of the TSP account as a lump-sum, with adverse tax consequences, or have the assets transferred to a roll-over IRA, and

Whereas: Any rollover IRA account will have higher administrative costs than the TSP, thereby reducing the investment return to the surviving spouse, and

Whereas: A recent review of spousal accounts by FRTIB staff has shown that they are fairly common in the 401(k) arena, and

Whereas: Allowing spousal accounts would enable beneficiaries to take advantage of the low administrative costs of the TSP while simultaneously providing time for spouses to plan their financial futures, and

Whereas: The purpose of the TSP is to provide for retirement savings for the benefit of federal employees and retirees and their families, therefore

Be it Resolved: That the Employee Thrift Advisory Council recommends and endorses legislation to authorize the Federal Retirement Thrift Investment Board to establish spousal accounts for spouse survivors who are beneficiaries to Thrift Savings Plan accounts.