



[BILLING CODE 6760-01-P]

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

5 CFR Parts 1600 and 1650

Automatic Enrollment Program

AGENCY: Federal Retirement Thrift Investment Board.

ACTION: Final rule.

SUMMARY: The Federal Retirement Thrift Investment Board ("FRTIB") is amending its regulations to increase the automatic enrollment percentage from 3 percent to 5 percent of basic pay for all participants who are automatically enrolled in the Thrift Savings Plan (TSP) on or after October 1, 2020 and for Blended Retirement Service (BRS) participants who are automatically re-enrolled in the TSP on or after January 1, 2021. In addition, the FRTIB is making a non-substantive clarification regarding installment payments calculated based on life expectancy.

DATES: The change to the automatic enrollment percentage is effective October 1, 2020, for participants who are automatically enrolled in the TSP on or after that date, and January 1, 2021, for BRS participants who are automatically re-enrolled in the TSP on or after that date. The clarification regarding installment payments calculated

based on life expectancy is effective immediately.

FOR FURTHER INFORMATION CONTACT: Austen Townsend, (202) 864-8647.

SUPPLEMENTARY INFORMATION: The FRTIB administers the Thrift Savings Plan (TSP), which was established by the Federal Employees' Retirement System Act of 1986 (FERSA), Public Law 99-335, 100 Stat. 514. The TSP provisions of FERSA are codified, as amended, largely at 5 U.S.C. 8351 and 8401-79. The TSP is a tax-deferred retirement savings plan for federal civilian employees and members of the uniformed services. The TSP is similar to cash or deferred arrangements established for private-sector employees under section 401(k) of the Internal Revenue Code (26 U.S.C. 401(k)).

On February 18, 2020, pursuant to its authority under the Thrift Savings Plan Enhancement Act of 2009 and National Defense Authorization Act for Fiscal Year 2016,¹ the FRTIB published a proposed rule with request for comments in the Federal Register (85 FR 8767) to increase

¹ The Thrift Savings Plan Enhancement Act of 2009 authorized the FRTIB to add an automatic enrollment program for all Federal employees eligible to participate in the TSP. The National Defense Authorization Act for Fiscal Year 2016 extended the automatic enrollment program, with an additional automatic re-enrollment feature, to certain members of the uniformed services. Under the automatic enrollment program, the Executive Director has the statutory authority to select a default contribution rate for automatically enrolled participants that is no less than 2 percent and no more than 5 percent of basic pay.

the automatic enrollment rate and the automatic re-enrollment rate to 5 percent, effective October 1, 2020 and January 1, 2021, respectively. In addition, the FRTIB proposed to amend its rule regarding installment payments calculated based on life expectancy to clarify that, for each year following the year in which the installment payments begin, the installment payment amount for the year will be calculated on the first installment payment date of that year.

The FRTIB received three comments on the proposed rule. Two comments expressed strong support for the automatic enrollment and re-enrollment rate change noting, in particular, the importance of ensuring that a participant receives the full amount of Agency/Service Matching Contributions he or she is entitled to. The third comment did not address the substance of the regulation. Therefore, the FRTIB is publishing the proposed rule as final without change.

As noted in the preamble to the proposed rule, participants who are automatically enrolled in the TSP as of September 30, 2020 will not be affected by the automatic enrollment rate increase. However, BRS participants who are automatically enrolled in the TSP as of September 30, 2020 and subsequently terminate their TSP contributions

will be affected by the automatic re-enrollment rate increase unless they elect to resume TSP contributions by the last full pay period of the year. All participants may elect to change their contribution rates at any time by contacting their respective agencies.

Regulatory Flexibility Act

I certify that this regulation will not have a significant economic impact on a substantial number of small entities. This regulation will affect Federal employees, members of the uniformed services who participate in the TSP, and beneficiary participants.

Paperwork Reduction Act

I certify that these regulations do not require additional reporting under the criteria of the Paperwork Reduction Act.

Unfunded Mandates Reform Act of 1995

Pursuant to the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 602, 632, 653, and 1501-1571, the effects of this regulation on state, local, and tribal governments and the private sector have been assessed. This regulation will not compel the expenditure in any one year of \$100 million or more by state, local, and tribal governments, in the aggregate, or by the private sector. Therefore, a statement under 2 U.S.C. 1532 is not required.

Submission to Congress and the General Accounting Office

Pursuant to 5 U.S.C. 810(a)(1)(A), the Agency submitted a report containing this rule and other required information to the U.S. Senate, the U.S. House of Representatives, and the Comptroller General of the United States before publication of this rule in the Federal Register. This rule is not a major rule as defined at 5 U.S.C. 804(2).

List of Subjects

5 CFR part 1600

Government employees, Pensions, Retirement.

5 CFR part 1650

Alimony, Claims, Government employees, Pensions, Retirement.

Ravindra Deo,

Executive Director,

Federal Retirement Thrift Investment Board

For the reasons stated in the preamble, the FRTIB amends 5 CFR Chapter VI as follows:

PART 1600 - EMPLOYEE CONTRIBUTION ELECTIONS, CONTRIBUTION ALLOCATIONS, AND AUTOMATIC ENROLLMENT PROGRAM

1. The authority citation continues to read as follows:

Authority: 5 U.S.C. 8351, 8432(a), 8432(b), 8432(c), 8432(j), 8432d, 8474(b)(5) and (c)(1), and 8440e.

§ 1600.34 [Amended]

2. In § 1600.34, amend paragraphs (a), (b), and (c) by removing the term "3%" and adding the term "5%" in its place.

§ 1600.37 [Amended]

3. In § 1600.37, amend paragraph (a) by removing the term "3 percent" and adding the term "5 percent" in its place.

PART 1650 - METHODS OF WITHDRAWING FUNDS FROM THE THRIFT SAVINGS PLAN

4. The authority citation continues to read as follows:

Authority: 5 U.S.C. 8351, 8432d, 8433, 8434, 8435, 8474(b)(5) and 8474(c)(1).

5. Amend § 1650.13 by revising paragraph (a)(2) to read as follows:

§ 1650.13 Installment payments.

(a) * * *

(2) *An installment payment amount calculated based on life expectancy. Payments based on life expectancy are*

determined using the factors set forth in the Internal Revenue Service life expectancy tables codified at 26 CFR 1.401(a)(9)-9, Q&A 1 and 2. The installment payment amount is calculated by dividing the account balance by the factor from the IRS life expectancy tables based upon the participant's age as of his or her birthday in the year payments are to begin. This amount is then divided by the number of installment payments to be made per calendar year to yield the installment payment amount. In subsequent years, the installment payment amount is recalculated on the first installment payment date of the year by dividing the prior December 31 account balance by the factor in the IRS life expectancy tables based upon the participant's age as of his or her birthday in the year payments will be made. There is no minimum amount for an installment payment calculated based on this method.

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