

## **TSP Board Green Lights More Homework on Mutual Fund Option**

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**By: Kellie Lunney**

Members of the board that oversees the Thrift Savings Plan gave agency staff the green light on Monday to put together a plan next year for eventually allowing participants to invest some of their money in mutual funds of their choosing.

“It’s a conceptual approval,” said Kim Weaver, director of external affairs at the Federal Retirement Thrift Investment Board. “It takes significant resources to do an in-depth project plan, and we didn’t want to embark on that unless they were interested in pursuing it.”

That means the agency will do more homework on creating a mutual fund window option for TSP enrollees in addition to the plan’s current five core funds and five lifecycle offerings. Staff will craft a detailed implementation plan in 2015, including costs, risks and a timetable for potentially rolling out the new option. Even if the board ultimately decides to add mutual funds to the TSP line-up, the option likely won’t be available to participants for some time.

Weaver did not have a time frame for when the project plan would be complete.

Monday’s unanimous approval follows support from the Employee Thrift Advisory Council for moving forward on the mutual fund discussion. ETAC, which includes representatives from several federal employee advocacy groups, met with FRTIB on Nov. 12.

During that meeting, the board’s Executive Director Greg Long said the agency favors moving forward with a mutual fund window for TSP participants because there is a demand among participants for greater investment flexibility, and more options mean participants will stay enrolled in the TSP longer, instead of parking their money elsewhere.

Twenty-three percent of TSP participants who took a post-separation withdrawal in the first half of the year cited investment flexibility as the reason. TSP officials

also found that 45 percent of participants who left their federal jobs in 2012 withdrew their entire account within the next year -- a total of \$10 billion in 2013.

Congress gave the board the option in the 2009 TSP Enhancement Act of adding mutual funds; the board and federal employee advocates have been weighing the pros and cons of introducing the option to the TSP portfolio ever since. "This is a big deal, and this is a meaningful change that I know my board and me personally have wrestled with," Long said last week.

If the mutual fund window becomes reality, the board will thoroughly educate participants about the pros and cons of investing in such funds and the risks associated with them, Long said.

The TSP board estimated that creating the mutual fund window will cost between \$6 million and \$10 million, with a maintenance cost of about \$1 million annually. The board would limit the amount enrollees could invest in mutual funds, likely to no more than 25 percent of their nest egg, Long said, and those who choose to invest in mutual funds would be charged a fee, probably \$100 per year.