

SOLICITATION, OFFER AND AWARD			1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 700)		RATING	PAGE 1 OF 39 PAGES
2. CONTRACT NUMBER	3. SOLICITATION NUMBER TIB-2008 -R- 002	4. TYPE OF SOLICITATION <input type="checkbox"/> SEALED BID (IFB) <input checked="" type="checkbox"/> NEGOTIATED (RFP)		5. DATE ISSUED 6/24/2008	6. REQUISITION/PURCHASE NUMBER	
7. ISSUED BY Federal Retirement Thrift Investment Board 1250 H Street, N.W., Suite 200 Washington, DC 20005			8. ADDRESS OFFER TO (If other than Item 7)			

NOTE: In sealed bid solicitations "offer" and "offeror" mean "bid" and "bidder".

SOLICITATION

9. Sealed offers in original and 5 copies for furnishing the supplies or services in the Schedule will be received at the place specified in Item 8, or if handcarried, in the depository located in Block 7 until 04:00 local time 7/28/2008
(Hour) (Date)

CAUTION - LATE Submissions, Modifications, and Withdrawals: See Section L, Provision No. 52.214-7 or 52.215-1. All offers are subject to all terms and conditions contained in this solicitation.

10. FOR INFORMATION CALL:	A. NAME Robert Battersby	B. TELEPHONE (NO COLLECT CALLS)			C. E-MAIL ADDRESS RBatter@tsp.gov
		AREA CODE 202	NUMBER 942-1693	EXT.	

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OFFER (Must be fully completed by offeror)

NOTE: Item 12 does not apply if the solicitation includes the provisions at 52.214-16, Minimum Bid Acceptance Period.

12. In compliance with the above, the undersigned agrees, if this offer is accepted within _____ calendar days (60 calendar days unless a different period is inserted by the offeror) from the date for receipt of offers specified above, to furnish any or all items upon which prices are offered at the price set opposite each item, delivered at the designated point(s), within the time specified in the schedule.

13. DISCOUNT FOR PROMPT PAYMENT (See Section I, Clause No. 52.232-8)	<input checked="" type="checkbox"/> 10 CALENDAR DAYS (%)	<input type="checkbox"/> 20 CALENDAR DAYS (%)	<input type="checkbox"/> 30 CALENDAR DAYS (%)	<input type="checkbox"/> CALENDAR DAYS (%)
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14. ACKNOWLEDGMENT OF AMENDMENTS (The offeror acknowledges receipt of amendments to the SOLICITATION for offerors and related documents numbered and dated):	AMENDMENT NO.	DATE	AMENDMENT NO.	DATE

15A. NAME AND ADDRESS OF OFFEROR	CODE	FACILITY	16. NAME AND TITLE OF PERSON AUTHORIZED TO SIGN OFFER (Type or print)	
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15B. TELEPHONE NUMBER	AREA CODE	NUMBER	EXT.	15C. CHECK IF REMITTANCE ADDRESS IS DIFFERENT FROM ABOVE - ENTER SUCH ADDRESS IN SCHEDULE.	17. SIGNATURE	18. OFFER DATE

AWARD (To be completed by Government)

19. ACCEPTED AS TO ITEMS NUMBERED	20. AMOUNT	21. ACCOUNTING AND APPROPRIATION	
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22. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION: <input type="checkbox"/> 10 U.S.C. 2304(c)) <input type="checkbox"/> 41 U.S.C. 253(c) ()	23. SUBMIT INVOICES TO ADDRESS SHOWN IN (4 copies unless otherwise specified)
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24. ADMINISTERED BY (If other than Item 7)	25. PAYMENT WILL BE MADE BY
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26. NAME OF CONTRACTING OFFICER (Type or print)	27. UNITED STATES OF AMERICA (Signature of Contracting Officer)	28. AWARD DATE
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IMPORTANT - Award will be made on this Form, or on Standard Form 26, or by other authorized official written notice.

Part I - The Schedule

Section B - Supplies or Services and Prices/Costs

B.1. COST OF SURVEY

The Federal Retirement Thrift Investment Board (Agency) seeks a contractor to assist Agency staff in conducting (development, delivery, and analysis of) a survey of Thrift Savings Plan (TSP) participants. The intent of this survey is to build upon the baseline participant survey dated November 2007, in an effort to increase our understanding of participants' retirement planning behavior and satisfaction with TSP services. The Agency is requesting a bid for services on a single survey only, as this initial survey will contribute to a longitudinal survey process, in which additional surveys will be conducted at regular intervals under separate contracts.

0001 Survey Costs	_____
0002 Estimated Travel Costs	_____
0003 Fee	_____
Total Survey Costs & Fee	_____

B.2 TRAVEL

Estimated travel expenses shall be shown separately. Travel expenses for contractor personnel must have prior Agency approval and will be reimbursed in accordance with FAR 31.205-46, Travel Costs, and in accordance with the Federal Travel Regulations at 41 C.F.R. Part 301.
SECTION B

Section C - Description/Specifications/Statement of Work

C.1. INTRODUCTION

The Federal Retirement Thrift Investment Board (Agency) seeks a contractor to assist Agency staff in conducting (development, delivery, and analysis of) a survey of Thrift Savings Plan (TSP) participants. The intent of this survey is to build upon the baseline participant survey dated November 2007, in an effort

to increase our understanding of participants' retirement planning behavior and satisfaction with TSP services. The Agency is requesting a bid for services on a single survey only, as this initial survey will contribute to a longitudinal survey process, in which additional surveys will be conducted at regular intervals under separate contracts. The Agency expects to utilize the results of these ongoing surveys as a tool to assist with strategic planning, educational program modifications, and product development.

C.2. BACKGROUND

The Federal Retirement Thrift Investment Board is an independent Federal agency in the Executive Branch created by the Federal Employees' Retirement System Act of 1986 (FERSA). The TSP is a retirement savings and investment plan for Federal civilian employees and members of the uniformed services that offers its participants the same type of savings and tax benefits that many private corporations offer their employees under I.R.C.§401(k) plans. As of April 2008, the TSP has approximately 3.9 million participants, of which approximately 4% are domiciled overseas. With approximately \$231 billion in assets, the TSP is the largest participant-directed defined contribution plan in the world.

Participants within the TSP fall under one of the three distinct Federal retirement systems. Approximately 2.04 million active TSP participants are covered under the Federal Employees Retirement System or FERS. Approximately 612,000 TSP participants are covered under the Civil Service Retirement System or CSRS. Approximately 863,000 TSP participants are members of the Uniformed Services. Within the uniformed services a further breakdown of active and contributing participants (as of April 2008) is as follows:

- Air Force - Approximately 151,400
- Army - Approximately 182,300
- Coast Guard - Approximately 13,600
- Marine Corps - Approximately 65,400
- Navy - Approximately 183,490

Please note that the total count of the military branch breakdown does not equal the total number of uniformed services participants. This is due to additional participants from the Public Health Services and the Commissioned Officers of the National Oceanic and Atmospheric Administration as well as separated participants who have maintained a TSP account. Additionally, some participants may have both civilian and uniformed services accounts. Brief descriptions of the different retirement systems are below:

FERS is the Federal Employees' Retirement System established by Public Law 99-335; TSP benefits are codified in chapter 84 of title 5 U.S. Code. FERSA became effective January 1, 1987. Individuals covered under FERS pay Social Security taxes and FERS basic benefit deductions. They also receive an automatic agency/employer contribution to a TSP account in their name equivalent to one-percent of their basic pay and receive dollar/dollar matching on the first three-percent of contributions and 50-cents/dollar matching on additional contributions up to five-percent of basic pay. Contributions in excess of five-percent of basic pay are not matched. Effective 2006, participants may make contributions from basic pay to their TSP accounts up to the 402(g) limits. The TSP is a core component of the three-tiered retirement benefits of FERS employees, the other two components are Social Security and the FERS basic annuity program.

Of the 2.04 million FERS accounts within the TSP, approximately 1.67 million are receiving agency/employer contributions, and of this approximately 274,000 participants are not making any contributions and therefore are receiving no matching benefits. The remaining FERS accounts are for participants who began contributing before they became eligible for agency contributions and separated participants.

CSRS is the Civil Service Retirement System; the TSP benefits are codified in subchapter III of chapter 83 of title 5 U.S. Code. The law that created CSRS was enacted in 1920. Individuals covered under CSRS pay CSRS employee deductions and are excluded from OASDI

taxes of Social Security. Effective 2006, they may make contributions from basic pay to their TSP accounts up to the 402(g) limits, but they do not receive any agency/employer contributions. The TSP is a supplemental retirement benefit for CSRS employees.

Uniformed Services personnel became eligible to participate in the TSP in 2002 following the enactment of the Floyd D. Spence National Defense Authorization Act for 2001 (Public Law 106-398). For TSP purposes, the uniformed services include members of the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and Commissioned Officers of the National Oceanic and Atmospheric Administration, as well as members of the Ready Reserve and the National Guard. Effective 2006, uniformed service personnel may make contributions from basic pay to their TSP accounts up to the 402(g) limits, but they do not receive any agency/employer contributions.

To assist the offerors in better understanding the Thrift Savings Plan, the Agency has included the following:

- a. Report on the results of the most recent broad-based participant survey, completed in 2007.
- b. A report on demographics on the TSP from 2007. This is the most current complete demographic report.
- c. Current TSP report on participation rates among FERS, CSRS and uniformed services.
- d. The following communication pieces: *Summary of the Thrift Savings Plan*, *TSP Fund Information*, and *TSP Highlights* (1/06) are available to all TSP participants and will assist you in understanding the current TSP services and funding options. Additionally, we recommend that you visit www.tsp.gov for more information.

C.3. OBJECTIVES

Based upon the contractor's experience conducting surveys of participants in defined contribution/401(k) plans, and utilizing its current resources and expertise to the fullest, the contractor shall conduct the survey as described in the Statement of Work. In

consultation with the Agency, the contractor must perform the following tasks:

- a. determine appropriate survey methodology,
- b. identify appropriate sample populations,
- c. develop survey questions,
- d. pretest and conduct the survey,
- e. tabulate the survey results,
- f. analyze the statistical data,
- g. analyze and compare the results to the findings of the initial baseline participant survey,
- h. produce a written report of survey results, and
- i. provide raw data to the Agency in an electronic format.

All results of the survey should be measurable against the TSP's baseline participant survey, which was conducted in two phases, beginning in November 2006 and repeated in March 2007 (to ensure a sampling size offering statistically valid results). The survey was via a paper-based mailing to Federal and Uniformed Service participants. A stratified sampling design was utilized to obtain a representative sampling of desired groups.

Further, results of the survey should be provided to the Agency within an appropriately timely period following collection of participant responses.

C.4. SURVEY REQUIREMENTS

In consultation with Agency staff, the successful offeror shall perform the following tasks:

- a. Deliver a survey project plan and projected timeline of events within 15 calendar days of being selected. Revise as necessary based on feedback from Agency personnel.
- b. Plan and lead weekly conference calls to update Agency personnel on the status of the survey project.
- c. Determine most appropriate survey methodology.
- d. Identify sample size of populations sufficient to yield statistically significant findings consistent with best practices in surveying.
- e. Develop survey questions and any related survey communications. Note: the survey is to be conducted in English only.

- f. Pre-test survey with Agency staff members and, if requested by the Agency, also pre-test among a test group of no more than 100 TSP participants. Revise survey as necessary.
- g. Design, produce and distribute any pre- or post-survey communications to participants, as requested by the Agency.
- h. Produce/print required quantity of surveys. Survey instruments are to be in a format that allows all data to be delivered from the offeror to the Agency in electronic format.
- i. Mail/conduct survey. (Note: Any postage costs will be paid by the Agency and therefore shall not be considered for pricing purposes. However, the vendor will be responsible for mailing the survey directly to participants.)
- j. Collect and tabulate survey results.
- k. Analyze statistical data and deliver draft report on findings to Agency staff. In addition to relevant comparisons to the initial baseline report, where possible, the report shall include a comparison of survey results relative to the TSP Demographic Report and published national trends/averages in defined contribution plans. Additionally the report shall provide comparative findings in the following areas:
 - Retirement system participation (FERS, CSRS, US).
 - Within the FERS group, allow comparison of findings between those making contributions and those who are not. The latter group receives the 1% automatic contribution but no matching. Additionally, within the FERS group, allow comparison of findings between groups with different length of employment (stratified in 4 groups).
 - Within the uniformed services, allow comparison of findings between Army, Navy, Air Force, Marines, and Coast Guard (active vs. reserve).
 - Within each retirement system (FERS, CSRS, US) allow comparison of findings from among differing age groups (stratified in 6 groups).
 - Within each retirement system (FERS, CSRS, US) allow comparison of findings from among

differing income/salary groups (stratified in 6 groups).

The final report shall be one report incorporating the results for all retirement systems, individual agencies/branches and non-participants.

- l. Revise draft report as necessary based on feedback from Agency staff. Deliver final printed report in a form suitable for executive dissemination and in electronic format. Deliver formal in-person presentation of results at the Agency offices in Washington, DC.
- m. Provide raw data of all surveyed participants' responses and demographic data in an electronic format (Microsoft Access) based on a record layout that will be defined by mutual agreement between the Agency and offeror after the survey design is complete. The Agency will retain this data and intends to create a database to maintain this data going forward. The data shall include responses to survey questions for each participant in addition to the indicative data (as described in the following paragraph) for each participant that was provided by the Agency.
- n. The vendor's survey findings and all data will be the property of the Agency and may, at the Agency's sole discretion, be shared with parties outside the Agency.

The Agency will provide to the successful offeror more specific participant demographic data (if required) for the offeror to determine appropriate sample size populations among all groups and sub-groups. Once the offeror defines these populations, the Agency will provide, by electronic medium, data on the required number of TSP participants that will include:

- a. Participant name.
- b. Mailing address.
- c. Date of birth.
- d. Service Computation Date (for vesting calculations).
- e. Retirement System Coverage (FERS, CSRS, US).
- f. Employing agency or service branch.
- g. Data indicating whether the participant is actively employed or separated.

- h. Data indicating whether or not the participant is receiving agency contributions.
- i. Data indicating whether the participant is making (salary deferral) contributions.

Please note that the Agency does not maintain e-mail addresses or salary information for plan participants.

The Agency will make its senior managers available for discussion and consultation during all phases of the survey process.

The Agency requires the survey process to be completed and the final report delivered to Agency management no later than December 15, 2008.

To assist the contractor in gauging the content, length and complexity of the survey, information has been included on topics of inquiry that we anticipate for the survey. This list of topics is not necessarily all inclusive. The Agency expects to inquire about some topics on a continual basis (see C.5.) as part of our longitudinal survey process. However, it also seeks data specific to product development initiatives currently under consideration (see C.6.).

C.5. TOPICS TO BE EXPLORED ON A CONTINUING BASIS

The results of this survey must be measurable against the results obtained in the initial baseline survey, as well as future longitudinal surveys. Questions to be explored on a continuing basis serve as the foundation for a longitudinal survey process. Areas to be addressed by the survey include:

1. An improved understanding of participants' retirement planning needs and behavior. Such as:
 - a. What factors drive the decision to make or not make a salary contribution (deferral) election?
 - b. Are alternative planning vehicles such as Traditional IRA or Roth IRA being utilized? If so why?
 - c. When do they plan to retire/leave service?

- d. How do participants view the TSP? As providing needed retirement income or as an extra savings plan?
2. An improved understanding of the effectiveness of communication efforts in making participants aware of TSP benefits. Such as:
 - a. The financial benefits of tax deferred savings.
 - b. The types of agency contributions that are made to participant accounts.
 - c. The availability of loan and withdrawal programs.
 - d. The introduction of L (Life Cycle) Funds.
 - e. The risk/reward characteristics of the individual funds (G, F, C, S and I) and the L Funds.
 - f. The benefits of the low-cost structure of the TSP.
 - g. By which mediums they normally receive TSP information.
3. An improved understanding of the participants' awareness of how to accomplish administrative tasks, in addition to the utilization and satisfaction levels with associated services. Such as:
 - a. Using assigned account number to access the website and IVR
 - b. Making Password (website)/PIN (IVR) changes.
 - c. Making contribution election changes.
 - d. ThriftLine (IVR) and Participant services line (live rep) inquiries/transactions.
 - e. Web site inquiries/transactions.
 - f. Rollovers in/out of the TSP.
 - g. Accessing participant account statements (online or mailed hardcopy).
 - h. Accessing literature/communication materials.
4. An improved understanding of the participant satisfaction level with the individual funds (G, F, C, S and I) and L Funds. Such as:
 - a. The range of available investment options.
 - b. The performance of investment options.
 - c. Information describing the investment options.

5. An improved understanding of the overall participant satisfaction level with the TSP. This shall include:
 - a. An indication as to how many participants speak favorably of the TSP to their associates.
 - b. An indication of any change in satisfaction levels attributable to recent benefits and service enhancements.
 - c. An indication of participants' awareness that additional benefits and services would increase costs and dampen their investment returns.
 - d. Seeking comments from participants on ideas for improvements to the TSP.
6. The survey should include at least one open-ended question.

C.6. TOPICS TO BE EXPLORED ON A ONE-TIME BASIS

Some of the topics of inquiry that we expect to explore on a one time basis in this edition of the TSP survey, in support of strategic planning and product development efforts include:

1. Participant reaction to the annual participant statement.
2. Participant reaction to the recent limitation on interfund transfers.
3. Participant reaction to the addition of a REIT investment option or other new investment options (e.g. anti-terrorism, anti-Sudan, specialty metals, etc).
4. Participant reaction to the possible inclusion of a self-directed mutual fund window.
5. Participant reaction to changing the default fund from the G Fund to an age appropriate L Fund.
6. Participant reaction to the addition of a Roth 401(k) option and how participants envision this option working in their retirement planning.
7. Participant reaction to automatic enrollment of new FERS-eligible employees.
8. Participant reaction to an automatic employee contribution rate escalation program.
9. Participant reaction to implementing a restriction to the hardship policy to extend the post-withdrawal waiting period from 6 months to one year.

10. Participant reaction to security elements of TSP website.
11. Where new services or benefits under consideration will increase costs to run the program, such as additional funds, mutual fund window, the addition of a Roth 401(k) feature, etc., we would like to gauge the positive reaction to the changes against the negative impact of increased expenses (cost to participants and/or cost to only those utilizing the features).

Section D - Packaging and Marking

D.1. PACKING

- a. Any packing or packaging shall be suitable for safe delivery to the participants to arrive in an undamaged condition.
- b. All surveys mailed to participants selected for surveying shall include a postage paid return envelope. Envelopes must carry the TSP logo and postal indicia, which will be provided in electronic format by the Agency to the contractor.

D.2. MARKING

All copies mailed must conform to appropriate regulations in the U.S. Postal Service manuals for "Domestic Mail" or "International Mail" as applicable.

Section E - Inspection and Acceptance

52.252-2 Clauses Incorporated by Reference. (Feb 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address:

www.acqnet.gov/far

(End of clause)

52.246-3 Inspection of Supplies—Cost-Reimbursement.
(May 2001)

52.246-5 Inspection of Services—Cost-Reimbursement.
(Apr 1984)

Section F - Deliveries or Performance

F.1. PRODUCTION SCHEDULES

- a. Project Plan shall be submitted within 15 calendar days of award.
- b. Delivery of Survey Design within 45 calendar days of award.
- c. Delivery date of final reports on or before December 15, 2008.
- c. Provide raw data of all surveyed participants' responses and demographic data in an electronic format (Microsoft Access) based on a record layout that will be defined by mutual agreement between the Agency and offeror after the survey design is complete.

F.2. DISTRIBUTION

- a. Project Plan shall be submitted to Renée Wilder, Federal Retirement Thrift Investment Board, 1250 H Street, NW, Washington, DC 20005.
- b. Mailing of surveys
 - Agreed upon statistically significant sample size of TSP participants.
 - To be mailed at the first class presort rate. Agency will pay for all mailing costs.
- c. Reports
 - Deliver 20 printed copies and one electronic copy to Renée Wilder, Federal Retirement Thrift Investment Board, 1250 H Street, NW, Washington, DC 20005.
- d. Raw data of all surveyed participants' responses and demographic data shall be delivered to Renée Wilder, Federal Retirement Thrift Investment Board, 1250 H Street, NW, Washington, DC 20005.

F.3. PERIOD OF PERFORMANCE

The period of performance of this contract will be from contract award date through January 15, 2009.

52.252-2 Clauses Incorporated by Reference. (Feb 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address:

www.acqnet.gov/far

(End of clause)

52.242-15 Stop-Work Order. (Aug 1989)(Alternate I)
(Apr 1984)

Section G - Contract Administration Data

G.1. AGENCY FURNISHED MATERIAL

- a. Electronic file of TSP logo and postal mailing indicia.
- b. Electronic file of indicative data as described in C.4.

G.2. POSTAGE COSTS

All postage expenses associated with the mailing of the surveys will be paid by the Agency through a Agency postal mailing indicia and shall not be considered in the vendor's price quote.

G.3. CONTRACT COMPLETION AND TRANSITION SERVICES

- a. Upon the completion of the contract, the contractor shall prepare and deliver to the Agency all contract database files developed under this contract. All data shall be appropriately labeled and delivered on electronic media in the electronic format mutually agreed upon by the Agency and the contractor. This shall be accomplished at the contractor's expense. The material shall be delivered to a designated location, and all the shipping costs shall be borne by the contractor.
- b. Other Contract Deliveries: All Agency furnished material and all other deliverables under this contract to which the Agency takes possession, shall be packaged in suitable containers so as to prevent damage. This shall be accomplished at the contractor's expense. The material shall be delivered to a designated location, and all the shipping costs shall be borne by the contractor.
- c. Remaining Contract Materials: At the conclusion of the contract, the contractor shall be required to contact the Agency regarding any remaining materials either furnished to the contractor by the Agency or generated by the contractor during the term of this contract for instructions regarding the disposition (destruction or return) of these materials.

G.4. CONTRACTUAL INFORMATION

Contractual interpretation and assistance may be obtained by contacting:

Federal Retirement Thrift Investment Agency
1250 H Street, N.W., Suite 200
Washington, DC 20005-3952

Attn: Robert Battersby
Phone: (202) 942-1693
E-Mail: RBATTER@tsp.gov

G.5. CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE

G.5.a. The Contracting Officer hereby designates the below-named individual as the Contracting Officer's Technical Representative (COTR):

Name: Renée Wilder
Address: Federal Retirement Thrift Investment Agency
1250 H Street, N.W., Suite 200
Washington, DC 20005-3952
Phone: (202) 942-1697

G.5.b. The COTR is responsible for administering the performance of work under this contract. In no event, however, will any understanding, agreement, modification, change order, or other matter deviating from the terms of this contract be effective or binding upon the Agency unless formalized by proper contractual documents executed by the Contracting Officer. The COTR is responsible for:

- (1) Monitoring the Contractor's progress, including the surveillance and assessment of performance, and recommending to the Contracting Officer changes in requirements;
- (2) Interpreting the scope of work;
- (3) Performing inspections and acceptances required by this contract; and,
- (4) Assisting the Contractor in the resolution of technical problems encountered during the performance of the contract.

G.5.c. The Contracting Officer is responsible for directing any changes in the terms, conditions, or amounts cited in the contract.

G.5.d. In order for the Contractor to rely upon guidance from the COTR, the guidance must:

- (1) Be consistent with the description of work set forth in the contract;
- (2) Not constitute new assignments of work or a change to the expressed terms, conditions, or specifications incorporated into the contract;
- (3) Not constitute a basis for an extension to the period of performance or contract delivery schedule; and,
- (4) Not constitute a basis for any increase in the contract cost.

G.5.e. The COTR may be changed by the Agency at any time without prior notice to the Contractor. Written notice to the Contractor will be given by the Contracting Officer to effect any change in COTR.

G.5.f. If in the opinion of the Contractor, any instruction or direction issued by the COTR is not provided for in any of the provisions of the Contract, the Contractor shall not proceed but shall notify the Contracting Officer in writing within five (5) working days

after the receipt of any such instruction or direction and shall request the Contracting Officer to modify the contract accordingly. Upon receiving such notification from the Contractor, the Contracting Officer shall issue an appropriate contract modification or advise the Contractor in writing that, in his/her opinion, the technical direction is within scope of this clause and does not constitute a change under the Changes Clause of the contract. The Contractor shall thereupon proceed immediately with the direction given.

G.5.g. A failure of the parties to agree upon the nature of the instruction or direction or upon the contract action to be taken with respect thereto shall be subject to the provisions of the contract clause titled "Disputes."

G.6. SUBMISSION OF INVOICES

Invoices submitted for payment shall conform to the following requirements:

G.6.a. All invoices must contain contractor's EIN number.

G.6.b. All invoices must contain a "remit to" address.

G.6.c. Submit all invoices to:

Federal Retirement Thrift Investment Board
1250 H Street, N.W., Suite 200
Washington, DC 20005-3952
Attn: Office of Finance

G.7. INCORPORATION OF CONTRACTOR'S PROPOSAL

It is understood and agreed that the Contractor shall, in meeting the requirements of this contract, perform the work in accordance with its proposal to the Agency provided however, that to the extent that any provisions of the Clauses set forth herein are in conflict or inconsistent with any provision of said proposal, the provisions of this contract shall be controlling and shall supersede the provisions of said proposal.

Section H- Special Contract Requirements

H.1. ADVERTISING AND RELEASING OF INFORMATION

The contractor must not publicize, advertise, or otherwise announce its selection by the Agency without the prior written approval of the Agency. Also, the Contractor may not release information or report on its performance under the contract without the prior written approval of the Agency.

H.2. KEY PERSONNEL

The Contractor must include in its proposal, by name and capacity, the key personnel to be assigned to perform and carry out all phases of work under this contract. The Contractor's key personnel include the following:

Name	Capacity
_____	_____
_____	_____
_____	_____
_____	_____

The individuals named above are considered key personnel and are essential for the successful completion of all work assigned under this contract. If you cannot at this time identify the key staff members, indicate the positions (capacity) you consider will be occupied by key personnel. These individuals must be approved by the Agency and this section completed prior to the award of this contract.

In the event any individual on the list of key personnel is to be removed or diverted from this contract, the Contractor must (1) notify the COTR; (2) supply written justification as to why the individual is being removed or diverted; and, (3) provide the resume of the proposed substitute or replacement including the education, work experience, etc., of each new person for Agency approval. All notifications and other information must be submitted to the COTR at least 14 calendar days in advance of the action.

The Contractor must not, under any circumstances, remove or divert key personnel unless prior written authorization has been granted by the COTR. The person replacing the key person must have the same or higher qualifications and experience as the person replaced.

H.3. REIMBURSEMENT OF TRAVEL EXPENSES

Travel expenses incurred under this contract and invoiced may not exceed the applicable Federal Travel Regulations.

H.4. CONFIDENTIAL INFORMATION

All information received by the contractor as a result of performance of this contract is confidential and is subject to the Privacy Act. The Contractor and contractor personnel shall maintain this information in strict confidence and shall not disclose this information, or any information obtained as the result of its performance of this contract, to any person or entity, other than employees or bonafide contractors of the Federal Retirement Thrift Investment Board, without the prior written approval of the Agency.

The contractor and contractor personnel shall not disclose this information to any person or entity or otherwise make any improper use of this information during or after the performance period of this contract. The contractor and contractor personnel shall maintain this information in strict confidence and shall make no changes to the information except as necessary in the performance of the contract. The contractor and contractor personnel and their successors are prohibited forever from using this information for their personal or business gain, personally or for another, directly or indirectly, without prior written approval of the Agency. This provision, or a provision with an identical effect, shall be placed in any subcontracts.

H.5. DISPUTES (JULY 2002)

(a) Reserved.

(b) All disputes arising under or relating to this contract shall be resolved under this clause.

(c) "Claim," as used in this clause, means a written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to this contract. However, a written demand or written assertion by the Contractor seeking the payment of money exceeding \$100,000 is not a claim until certified. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim. The submission may be converted to a claim, by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

(d)(1) A claim by the Contractor shall be made in writing and, unless otherwise stated in this contract, submitted within 6 years after accrual of the claim to the Contracting Officer for a written decision. A claim by the Federal Retirement Thrift Investment Board (Agency) against the Contractor shall be subject to a written decision by the Contracting Officer.

(2)(i) The Contractor shall provide the certification specified in paragraph (d)(2)(iii) of this clause when submitting any claim exceeding \$100,000.

(2)(ii) The certification requirement does not apply to issues in controversy that have not been submitted as all or part of a claim.

(2)(iii) The certification shall state as follows: "I certify that the claim is made in good faith; that the supporting data are accurate and complete to the best of my knowledge and belief; that the amount requested accurately reflects the contract adjustment for which the Contractor believes the Agency is liable; and that I am duly authorized to certify the claim on behalf of the Contractor."

(3) The certification may be executed by any person duly authorized to bind the Contractor with respect to the claim.

(e) For Contractor claims of \$100,000 or less, the Contracting Officer must, if requested in writing by the Contractor, render a decision within 60 days of the request. For Contractor-certified claims over \$100,000, the Contracting Officer must, within 60 days, decide the claim or notify the Contractor of the date by which the decision will be made.

(f) The Contracting Officer's decision shall be final unless the Contractor requests reconsideration by the Executive Director (or designee), the decision on which shall be final.

(g) If the claim by the Contractor is submitted to the Contracting Officer or a claim by the Government is presented to the Contractor, the parties, by mutual consent, may agree to use alternative dispute resolution (ADR). If the Contractor refuses an offer for ADR, the Contractor shall inform the Contracting Officer, in writing, of the Contractor's specific reasons for rejecting the offer.

(h) The Agency shall pay interest on the amount found due and unpaid from (1) the date that the Contracting Officer receives the claim (certified, if required); or

(2) the date that payment otherwise would be due, if that date is later, until the date of payment. With regard to claims having defective certifications, as defined in FAR 33.201, interest shall be paid from the date that the Contracting Officer initially receives the perfected claim. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury as provided in the Act, which is applicable to the period during which the Contracting Officer receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.

(i) The Contractor shall proceed diligently with performance of this contract, pending final resolution of any request for relief, claim, appeal, or action arising under or relating to the contract, and comply with any decision of the Contracting Officer.

Part II - Contract Clauses

Section I - Contract Clauses

52.252-2 Clauses Incorporated by Reference. (Feb 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address:

www.acqnet.gov/far

(End of clause)

52.202-1 Definitions. (July 2004)
52.203-3 Gratuities. (Apr 1984)
52.203-5 Covenant Against Contingent Fees. (Apr 1984)
52.203-6 Restrictions on Subcontractor Sales to the Government. (Sept 2006)
52.203-7 Anti-Kickback Procedures. (Jul 1995)
52.203-8 Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity. (Jan 1997)
52.203-10 Price or Fee Adjustment for Illegal or Improper Activity. (Jan 1997)

- 52.203-12 Limitation on Payments to Influence Certain Federal Transactions. (Sept 2007)
- 52.204-4 Printed or Copied Double-Sided on Recycled Paper. (Aug 2000)
- 52.204-7 Central Contractor Registration. (July 2006)
- 52.209-6 Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment. (Sept 2006)
- 52.215-2 Audit and Records—Negotiation. (June 1999)
- 52.215-8 Order of Precedence—Uniform Contract Format. (Oct 1997)
- 52.215-14 Integrity of Unit Prices (Oct 1997)
- 52.216-7 Allowable Cost and Payment. (Dec 2002)
- 52.216-8 Fixed Fee. (Mar 1997)
- 52.217-8 Option to Extend Services. (Nov 1999)
- 52.217-9 Option to Extend the Term of the Contract. (Mar 2000)
- 52.222-2 Payment for Overtime Premiums. (July 1990)
- 52.222-21 Prohibition of Segregated Facilities. (Feb 1999)
- 52.222-26 Equal Opportunity. (Mar 2007)
- 52.222-35 Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans. (Sept 2006)
- 52.222-36 Affirmative Action for Workers with Disabilities. (June 1998)
- 52.222-50 Combating Trafficking in Persons. (Aug 2007)
- 52.223-6 Drug-Free Workplace. (May 2001)
- 52.224-1 Privacy Act Notification. (Apr 1984)
- 52.224-2 Privacy Act. (Apr 1984)
- 52.225-1 Buy American Act - Supplies (June 2003)
- 52.225-13 Restrictions on Certain Foreign Purchases. (Feb 2006)
- 52.227-3 Patent Indemnity. (Apr 1984)
- 52.227-14 Rights in Data—General. (Dec 2007)
- 52.227-17 Rights in Data—Special Works. (Dec 2007)
- 52.227-23 Rights to Proposal Data (Technical). (June 1987)
- 52.228-7 Insurance—Liability to Third Persons. (Mar 1996)
- 52.232-9 Limitation on Withholding of Payments (Apr 1984)
- 52.232-17 Interest. (June 1996)
- 52.232-20 Limitation of Cost. (Apr 1984)
- 52.232-23 Assignment of Claims. (Jan 1986)
- 52.232-25 Prompt Payment. (Oct 2003) (Alternate I) (Feb 2002)
- 52.232-33 Payment by Electronic Funds Transfer—Central Contractor Registration. (Oct 2003)
- 52.233-3 Protest After Award (Aug 1996) (Alternate I) (June 1985).

- 52.233-4 Applicable Law for Breach of Contract Claim.
(Oct 2004)
- 52.239-1 Privacy or Security Safeguards. (Aug 1996)
- 52.242-1 Notice of Intent to Disallow Costs. (Apr 1984)
- 52.242-4 Certification of Final Indirect Costs. (Jan 1997)
- 52.242-13 Bankruptcy. (July 1995)
- 52.243-2 Changes - Cost Reimbursement (Aug 1987)
(Alternate II) (Apr 1984)
- 52.244-2 Subcontracts. (June 2007) (Alternate I)
(June 2007)
- 52.244-5 Competition in Subcontracting. (Dec 1996)
- 52.244-6 Subcontracts for Commercial Items. (Mar 2007)
- 52.246-25 Limitation of Liability-Services. (Feb 1997)
- 52.249-6 Termination (Cost-Reimbursement). (May 2004)
- 52.249-14 Excusable Delays. (Apr 1984)
- 52.251-1 Government Supply Sources. (Apr 1984)
- 52.253-1 Computer Generated Forms. (Jan 1991)

- 52.222-39 Notification of Employee Rights Concerning
Payment of Union Dues or Fees (Dec 2004)

(a) *Definition.* As used in this clause—
 "United States" means the 50 States, the District of
 Columbia, Puerto Rico, the Northern Mariana Islands,
 American Samoa, Guam, the U.S. Virgin Islands, and Wake
 Island.

(b) Except as provided in paragraph (e) of this clause,
 during the term of this contract, the Contractor shall post
 a notice, in the form of a poster, informing employees of
 their rights concerning union membership and payment of
 union dues and fees, in conspicuous places in and about all
 its plants and offices, including all places where notices
 to employees are customarily posted. The notice shall
 include the following information (except that the
 information pertaining to National Labor Relations Board
 shall not be included in notices posted in the plants or
 offices of carriers subject to the Railway Labor Act, as
 amended ([45 U.S.C. 151-188](#))).

Notice to Employees

Under Federal law, employees cannot be required to join a
 union or maintain membership in a union in order to retain
 their jobs. Under certain conditions, the law permits a
 union and an employer to enter into a union-security
 agreement requiring employees to pay uniform periodic dues
 and initiation fees. However, employees who are not union
 members can object to the use of their payments for certain

purposes and can only be required to pay their share of union costs relating to collective bargaining, contract administration, and grievance adjustment.

If you do not want to pay that portion of dues or fees used to support activities not related to collective bargaining, contract administration, or grievance adjustment, you are entitled to an appropriate reduction in your payment. If you believe that you have been required to pay dues or fees used in part to support activities not related to collective bargaining, contract administration, or grievance adjustment, you may be entitled to a refund and to an appropriate reduction in future payments.

For further information concerning your rights, you may wish to contact the National Labor Relations Board (NLRB) either at one of its Regional offices or at the following address or toll free number:

National Labor Relations Board
Division of Information
1099 14th Street, N.W.
Washington, DC 20570
1-866-667-6572
1-866-316-6572 (TTY)

To locate the nearest NLRB office, see NLRB's website at <http://www.nlr.gov>.

(c) The Contractor shall comply with all provisions of Executive Order 13201 of February 17, 2001, and related implementing regulations at 29 CFR Part 470, and orders of the Secretary of Labor.

(d) In the event that the Contractor does not comply with any of the requirements set forth in paragraphs (b), (c), or (g), the Secretary may direct that this contract be cancelled, terminated, or suspended in whole or in part, and declare the Contractor ineligible for further Government contracts in accordance with procedures at 29 CFR Part 470, Subpart B—Compliance Evaluations, Complaint Investigations and Enforcement Procedures. Such other sanctions or remedies may be imposed as are provided by 29 CFR Part 470, which implements Executive Order 13201, or as are otherwise provided by law.

(e) The requirement to post the employee notice in paragraph (b) does not apply to—

(1) Contractors and subcontractors that employ fewer than 15 persons;

(2) Contractor establishments or construction work sites where no union has been formally recognized by the Contractor or certified as the exclusive bargaining representative of the Contractor's employees;

(3) Contractor establishments or construction work sites located in a jurisdiction named in the definition of the United States in which the law of that jurisdiction forbids enforcement of union-security agreements;

(4) Contractor facilities where upon the written request of the Contractor, the Department of Labor Deputy Assistant Secretary for Labor-Management Programs has waived the posting requirements with respect to any of the Contractor's facilities if the Deputy Assistant Secretary finds that the Contractor has demonstrated that-

(i) The facility is in all respects separate and distinct from activities of the Contractor related to the performance of a contract; and

(ii) Such a waiver will not interfere with or impede the effectuation of the Executive order; or

(5) Work outside the United States that does not involve the recruitment or employment of workers within the United States.

(f) The Department of Labor publishes the official employee notice in two variations; one for contractors covered by the Railway Labor Act and a second for all other contractors. The Contractor shall-

(1) Obtain the required employee notice poster from the Division of Interpretations and Standards, Office of Labor-Management Standards, U.S. Department of Labor, 200 Constitution Avenue, NW, Room N-5605, Washington, DC 20210, or from any field office of the Department's Office of Labor-Management Standards or Office of Federal Contract Compliance Programs;

(2) Download a copy of the poster from the Office of Labor-Management Standards website at <http://www.olms.dol.gov>; or

(3) Reproduce and use exact duplicate copies of the Department of Labor's official poster.

(g) The Contractor shall include the substance of this clause in every subcontract or purchase order that exceeds the simplified acquisition threshold, entered into in connection with this contract, unless exempted by the Department of Labor Deputy Assistant Secretary for Labor-Management Programs on account of special circumstances in the national interest under authority of 29 CFR 470.3(c). For indefinite quantity subcontracts, the Contractor shall include the substance of this clause if the value of orders in any calendar year of the subcontract is expected to exceed the simplified acquisition threshold. Pursuant to 29 CFR Part 470, Subpart B-Compliance Evaluations, Complaint Investigations and Enforcement Procedures, the Secretary of Labor may direct the Contractor to take such

action in the enforcement of these regulations, including the imposition of sanctions for noncompliance with respect to any such subcontract or purchase order. If the Contractor becomes involved in litigation with a subcontractor or vendor, or is threatened with such involvement, as a result of such direction, the Contractor may request the United States, through the Secretary of Labor, to enter into such litigation to protect the interests of the United States.

(End of clause)

Part III - List of Documents, Exhibits, and Other Attachments

Section J - List of Attachments

ATTACHMENTS

- J.1. The 2007 TSP Participant Survey
- J.2. Participant Behavior and Demographics Analysis for 2000-2005
- J.3. Current TSP Participation Report
- J.4. Sample Communications Pieces
- J.5. Confidentiality Agreement

LINKS TO ELECTRONIC DOCUMENTS

- J.6. www.tsp.gov - For General Information Regarding the Thrift Savings Plan

Part IV - Representations and Instructions

Section K - Representations, Certifications, and Other Statements of Offerors or Respondents

52.204-8 Annual Representations and Certifications (Jan 2006)

(a)(1) The North American Industry Classification System (NAICS) code for this acquisition is 541910.

(2) The small business size standard is \$6,000,000.00.

(3) The small business size standard for a concern which submits an offer in its own name, other than on a construction or service contract, but which proposes to furnish a product which it did not itself manufacture, is 500 employees.

(b)(1) If the clause at [52.204-7](#), Central Contractor Registration, is included in this solicitation, paragraph (c) of this provision applies.

(2) If the clause at [52.204-7](#) is not included in this solicitation, and the offeror is currently registered in CCR, and has completed the ORCA electronically, the offeror may choose to use paragraph (c) of this provision instead of completing the corresponding individual representations and certifications in the solicitation. The offeror shall indicate which option applies by checking one of the following boxes:

(i) Paragraph (c) applies.

(ii) Paragraph (c) does not apply and the offeror has completed the individual representations and certifications in the solicitation.

(c) The offeror has completed the annual representations and certifications electronically via the Online Representations and Certifications Application (ORCA) website at <http://orca.bpn.gov>. After reviewing the ORCA database information, the offeror verifies by submission of the offer that the representations and certifications currently posted electronically have been entered or updated within the last 12 months, are current, accurate, complete, and applicable to this solicitation (including the business size standard applicable to the NAICS code referenced for this solicitation), as of the date of this offer and are incorporated in this offer by reference (see FAR [4.1201](#)); except for the changes identified below [*offeror to insert changes, identifying change by clause number, title, date*]. These amended representation(s) and/or certification(s) are also incorporated in this offer

and are current, accurate, and complete as of the date of this offer.

FAR Clause #	Title	Date	Change
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Any changes provided by the offeror are applicable to this solicitation only, and do not result in an update to the representations and certifications posted on ORCA.
(End of provision)

Section L - Instructions, Conditions, and Notices to Offerors or Respondents

L.1. SUBMISSION OF PROPOSAL

The Offeror must provide an original and five (5) paper copies and one (1) electronic copy of the technical proposal (in Microsoft Word format), and an original and five (5) paper copies and one (1) electronic copy of the price proposal (in Microsoft Word format). Cost/price data must not be included in the technical proposal. The price proposal must be submitted under a separate cover. This will be a best value award.

L.2. PROPOSAL PRESENTATION AND FORMAT

- a. The following instructions shall be followed in preparing the contractor's technical proposal in response to all requirements. Failure of a proposal to show compliance with these instructions may be grounds for exclusion of the proposal from further consideration. Proposals shall be typewritten or reproduced on letter-size paper and shall be legible in all required copies.

- (1) Proposals shall be prepared on 8-1/2 x 11" sheets of paper only. Legible charts and graphs may be used where practical to depict organizations, implementation schedules, technical data, etc. Such charts and graphs shall be uncluttered to preserve clarity. Foldout pages, up to 11 x 17", may be used for data (e.g., charts, diagrams, etc.) that cannot be reasonably presented on a regular size page and will be counted as two pages. No printing is allowed on the back side of any pages with the exception of exhibits. The maximum number of pages allowed is 20 pages, This maximum includes an executive summary, but excludes cover and separator pages, exhibits, the price proposal and solicitation package.
- (2) Proposal pages, with the exception of exhibits, shall have page margins of at least 1" and foldout pages shall have page margins of at least 1/2".
- (3) The type size for all the proposal documentation (to include tables, prices, etc., but not technical literature or exhibits) shall be no smaller than 12 point.
- (4) Each proposal page with the exception of exhibits, shall contain a left-justified header listing the volume, chapter and section numbers, as appropriate. The appropriate title (volume, chapter or section) shall be included in the header and may be abbreviated if it does not conveniently fit at the top of the page.

b. Proposals in response to this Request for Proposal shall be submitted in the following three (3) separate and distinct parts under their own separate cover:

- (1) One (1) original copy of this solicitation package, minus the attachments included in Section J. All applicable sections shall be completed by the contractor. The contractor shall acknowledge receipt of all amendments.
- (2) One (1) original and five (5) copies of the "Price Proposal" shall be submitted in accordance with the guidelines set forth in the paragraph below.

- (3) One (1) original and five (5) copies of the "Technical Proposal" shall be submitted in accordance with the guidelines set forth in the paragraph below.

Each of the parts shall be separate and complete in itself so that evaluation of one will be accomplished independently of evaluation of the other. All documents submitted shall have a cover page with the identifying RFP title, the solicitation number, and name of the contractor.

L.3. TECHNICAL PROPOSAL

Contractors shall address each of the following areas in a separate and distinct section of their proposals:

a. Executive Summary

The contractor shall provide a brief statement of the salient features of the proposal, including conclusions and recommendations. All major subcontractor roles shall be spelled out with detail as to their specific responsibilities and functions.

b. Functional Requirements

1. The contractor shall clearly and completely address each and every requirement in Sections C.4 and C.5. The contractor's discussions of requirements and proposed solutions shall be consistent with the structure of Section C. A table of contents shall be developed. The contractor shall restate each requirement and discuss the proposed solution. Any reference to supporting documentation shall clearly identify the location(s) within that documentation where clear substantiating information is to be found. The methods proposed for all production and/or services shall be described where appropriate.
2. Discuss your experience and qualifications in providing employee benefit plan participant survey development, delivery and analysis services. Include information on the total number of defined contribution plan surveys the offeror has performed over the last five years, the average number of participants in these surveys, and the range of industries covered by these surveys.
3. Provide the name and resume (or similar

professional biographical information) of the primary project manager and all team members who shall be assigned to this project. This information should also include a description of their role on the project.

4. Describe how you plan to interact with Agency personnel as part of your client management functions.
5. Identify any functions that shall be subcontracted to another party, including the name and address of the subcontracting party. Also identify the number of similar projects you have completed in partnership with this subcontractor.
6. Provide a hypothetical survey project plan based on the statement of work identified in Section C.4 and C.5. Within the hypothetical project plan, include an estimate of the level of involvement required from Agency personnel.
7. Discuss the process you would employ to determine the appropriate sample size of participant groups.
8. Discuss the process you would employ to maximize the survey response rate.
9. Within the exhibits, provide two hardcopy samples of survey instruments that you created for employee benefit plan participants. Samples provided shall be of similar quality to that which you intend to provide as part of this assignment and be from two paper-based surveys, including their results and any related participant communication. The samples must use the actual fonts, colors, graphics and paper submitted to the vendor's clients. Also provide two hardcopy samples of final reports of survey findings (corresponding directly to the survey instruments) which include detailed statistical data and analyses of results. Web-based survey samples may be submitted in addition, at the offeror's discretion. The samples must include all information and standards required above for hard copy sample submissions. The client name and any identifying information may be redacted from the survey instruments and reports if you so choose. Within the narrative portion of your response, please provide a description of the survey project for which you were hired which

directly corresponds to the survey instruments and reports of survey findings that you provide. The narrative shall include comments on the scope of the project, client size, and the duration of the project. Contact information for references on the above surveys should also be provided.

L.4. PRICE PROPOSAL

The contractor's pricing proposal shall include such detail as needed to clearly reflect pricing for all services to be provided as stated in Section C. STATEMENT OF WORK and information on any variable cost factors. The cost factors associated with specific steps of the plan may be provided as percentages of total project costs. Please note that any postage expenses will be paid by the Agency and shall not be considered in your price quote.

L.5. PREAWARD SURVEY

In order to determine the responsibility of the prime contractor or any subcontractor, the Agency reserves the right to conduct a preaward survey or to require other evidence of technical, production, managerial, financial, and similar abilities to perform, prior to the award of a contract.

L.6. DUE DATE

Submit the proposal package to the Agency for receipt no later than 4:00 p.m., eastern time, July 28, 2008. Address the package as follows:

Federal Retirement Thrift Investment Board
Attn: Mr. Robert Battersby
1250 H Street, NW, Suite 200
Washington, DC 20005-3952

To ensure the proposal package arrives at the proper place on time and to prevent opening by unauthorized individuals, your proposal package must be identified on the wrapper as follows:

Proposal Submitted in Response to Solicitation
No. TIB-2008-R-001
Package No. ____ of ____
Date: _____

L.7. BID AND PROPOSAL COSTS

The Agency will not reimburse Offerors for any expenses incurred in the preparation of proposals submitted in response to this RFP.

L.8. BILLING

The Awardee will be permitted to submit invoices monthly for incurred costs.

L.9. RFP QUESTIONS

All inquiries pertaining to this RFP must be made in writing via e-mail or letter and must be received by July 11, 2008. No other method will be accepted. The point of contact for all RFP inquiries is Robert Battersby, (202) 942-1693, Fax: (202) 942-1674, e-mail: Robert.Battersby@tsp.gov.

L.10. GRATUITIES

THE FEDERAL RETIREMENT THRIFT INVESTMENT BOARD MAY, BY WRITTEN NOTICE TO THE OFFEROR, TERMINATE THE RIGHT OF THE OFFEROR TO PROCEED UNDER ANY CONTRACT THAT ARISES AS A RESULT OF THIS SOLICITATION, IF IT IS FOUND THAT GRATUITIES, IN THE FORM OF ENTERTAINMENT, GIFTS OR OTHERWISE, WERE OFFERED OR GIVEN BY THE OFFEROR, OR ANY AGENT OR REPRESENTATIVE OF THE OFFEROR, TO ANY OFFICER OR EMPLOYEE OF THE FEDERAL RETIREMENT THRIFT INVESTMENT BOARD WITH THE INTENT TO SECURE FAVORABLE TREATMENT.

52.252-1 Solicitation Provisions Incorporated by Reference. (Feb 1998)

This solicitation incorporates one or more solicitation provisions by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. The offeror is cautioned that the listed provisions may include blocks that must be completed by the offeror and submitted with its quotation or offer. In lieu of submitting the full text of those provisions, the offeror may identify the provision by paragraph identifier and provide the appropriate information with its quotation or offer. Also, the full text of a solicitation provision may be accessed electronically at this address:

www.acqnet.gov/far

(End of provision)

52.215-1 Instructions to Offerors—Competitive. Acquisition
(Jan 2004)(Alternate I) (Oct 1997)

52.237-10 Identification of Uncompensated Overtime.
(Oct 1997)

52.216-1 Type of Contract (Apr 1984)

The Government contemplates award of a cost plus fixed fee contract resulting from this solicitation.

(End of provision)

52.233-2 Service of Protest (Sept 2006)

(a) Protests, as defined in section [31.101](#) of the Federal Acquisition Regulation, that are filed directly with an agency, and copies of any protests that are filed with the Government Accountability Office (GAO), shall be served on the Contracting Officer (addressed as follows) by obtaining written and dated acknowledgment of receipt from 1250 H Street, N.W., Suite 200, Washington, DC 20005-3952.

(b) The copy of any protest shall be received in the office designated above within one day of filing a protest with the GAO.

(End of provision)

Section M - Evaluation Factors for Award

M.1. EVALUATION OF OFFERS

This section sets forth the criteria to be used for the evaluation of each timely offer to determine the successful Offeror. The evaluation of offers will consist of technical and cost evaluation. Only proposals deemed to be technically acceptable will receive further consideration.

M.2. PROCEDURE

The Agency will select an Offeror for award in accordance with the guidance in FAR Part 15, the Agency's Directive No. 12A, and the terms of this solicitation.

M.3. MINIMUM QUALIFICATIONS

For an Offeror's proposal to be evaluated, the proposal shall meet the following minimum qualifications:

- (a) Demonstrate that the offeror has performed at least two surveys of employee benefit plan participants, where the employee population exceeds 10,000 employees, within the last two years. Sufficient demonstration requires providing the name of the company that was surveyed, number of plan participants, address, point of contact name, telephone number, date(s) of survey, nature of survey. Please be aware that the Agency intends to directly contact these clients if the offeror's proposal scores within the competitive range.

- (b) Additionally, the offeror shall within its written response 1) confirm that it has been conducting business within the United States for at least the past five years, 2) confirm that all work associated with this project shall be performed within the United States, and 3) confirm that the offeror is prepared to deliver all services/functions outlined within the Statement of Work.

M.4. TECHNICAL EVALUATION FACTORS - PHASE I

Technical evaluation factors are listed below in descending order of importance:

FACTOR 1 - Experience

The successful vendor must be able to demonstrate substantial experience, both by the organization and by the personnel who will work on the project, in assisting large employee benefits plans, preferably defined contribution plans, in developing, delivering and analyzing participant surveys. This will be determined through review of the work product and narrative descriptions of previous similar projects described in the vendor's proposal and by review of the resumes of the key personnel who will work on the project.

a. Organizational Experience

Information related to organizational history and narrative descriptions of the previous projects described in the vendor's proposal:

1. How long the vendor has been in business.
2. How many participant surveys the vendor has conducted, with emphasis on surveys of defined contribution plans.
3. The participant size of the vendor's clients as well as the geographic distribution of the clients' participants.
4. The diversity of the clients' participants, including the participants' range of investment sophistication.

b. Personnel Experience

The resumes of the Project Manager and project team members will be reviewed for evidence of substantial experience in developing, delivering, and analyzing participant surveys for employee benefits plans. Particular emphasis will be placed on experience in developing surveys for large, defined contribution plans with diverse populations. The Agency will also review the role that any subcontractor shall have on the project. The Agency will consider the function of the business relationship between the vendor and its subcontractor(s) as well as the length of the business relationship.

FACTOR 2 - Approach

Vendors shall be required to describe how they plan to accomplish each of the project tasks set forth in the statement of work. The Agency will then evaluate the proposals based upon the completeness and accuracy of their understanding of what is required to complete each of the required tasks. The successful proposal will use the information provided about the TSP to propose an appropriate, efficient and cost-effective method for accomplishing each of the tasks

a. Project Plan

The vendor's proposed project plan will be evaluated based on its presentation and its comprehensiveness as

well as the identification and the timing of critical milestones.

b. Determination of Sample Size

The Agency will evaluate the effectiveness of the vendor's proposed methodology for determining sample populations that shall provide statistically significant results for the various stratifications of TSP participants.

c. Process Evaluation

Proposals will be evaluated based on the accuracy of the vendor's understanding of each of the tasks to be performed as described in the vendor's approach. Proposals will also be reviewed for the vendor's understanding of the TSP, its participants and the issues relevant to the TSP. The Agency will review the proposal to determine if the vendor shows a plan for gaining additional knowledge and information about the TSP and its participants.

FACTOR 3 - Account Management Capability

The Agency will assess the vendor's proactive approach in providing relevant and accurate information to the Agency. The Agency will assess this through the vendor's communication protocols and the procedures it has for responding to client requests. The proposals will be examined for (1) how the account will be managed, (2) how communications between the Agency and the vendor will be handled, (3) how products will be delivered for review, and (4) how progress and delays will be reported.

FACTOR 4 - Quality and Effectiveness

Proposals and the other work products presented by the vendors will be reviewed for quality and effectiveness. The Agency will evaluate the work products with respect to the target audience, the appropriateness of the survey instrument and the degree of analysis of the survey results.

a. Quality

The Agency will review the quality of the vendor's proposal and the work products provided with the proposal. It will consider (1) the ease of use of the survey instruments, (2) the format and presentation of the survey analysis and the proposal, (3) the appropriate use of graphic representation of survey results, and (4) the grammatical accuracy of the proposal and the work products.

b. Effectiveness

The Agency will review the effectiveness of the work products and narrative descriptions of the previous projects described in the vendor's proposal. The Agency will consider (1) the appropriateness of the survey content for the target audience, (2) the identification of trends and correlations in the survey analysis, and (3) the timeliness between the data gathering and the survey analysis.

M.5. TECHNICAL EVALUATION FACTORS - PHASE II

For those vendors deemed to be within the competitive range, an interview process with the vendor and the vendor's clients will be conducted. These interviews will be conducted only if deemed appropriate by the Agency. The interviews will be conducted telephonically for the vendor's clients and telephonically or in-person with the vendors. Points awarded during this phase of the evaluation process will be added to the points earned in the first portion of the technical evaluation.

Technical evaluation factors are listed below in descending order of importance:

a. Demonstrated Success

From client interviews, the quality of work performed by the vendor on their projects will be evaluated. Also the vendor's description of its role and the results achieved will be validated through the interview process.

b. Client Service

From client interviews, the vendor's responsiveness to client needs and the vendor's abilities to work with an in-house staff will be evaluated.

c. Meetings with Personnel

Based upon meetings with vendor personnel, the Agency will evaluate their knowledge and understanding of survey methodologies to be applied to large employee benefit plans, their understanding of TSP characteristics, their approach to the project as outlined in the vendor's proposal, and will verify any statements or assumptions in the vendor's proposal.

M.6. COST/PRICE EVALUATION

The Agency will make its award to the responsible vendor whose offer conforms to the solicitation and is most advantageous to the Agency, cost or price and other factors considered. For this solicitation, technical factors are more important than price. As proposals become more equal in technical capabilities, cost or price will become more important.

M.7. AWARD

a. The Agency may reject any or all offers, accept other than the lowest cost/price offer, and waive informalities and minor irregularities in offers received.

b. The Agency may award a contract on the basis of initial offers received, without discussions. Therefore, each initial offer should contain the Offeror's best terms from a cost/price and technical standpoint.



Thrift Savings Plan
Participant Survey Results
2006-07

**Presented to the
Federal Retirement Thrift
Investment Board**

November 2007



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Executive Summary

The Federal Retirement Thrift Investment Board (FRTIB) contracted with Watson Wyatt Worldwide, an independent consultancy, to study the opinions of Federal employees and uniformed services members with regard to their needs, attitudes, understanding, and satisfaction with the Thrift Savings Plan (TSP) plan. The survey was also designed to gauge participants' reactions to some potential changes to the TSP that are under consideration. A survey was conducted in two phases, first in November 2006 then repeated in March 2007, through a paper-based mailing to the homes of a random sample of Federal workers and uniformed service members.

A stratified sampling design was utilized to obtain a representative number of responses from each retirement system and various demographic groups. The results of the survey can be statistically generalized at the overall Plan level with a margin of error of less than plus or minus two percent and at the system-level of CSRS, FERS, and the Uniformed Services of approximately plus or minus three percent with a ninety-five percent confidence level. While survey responses for other groups of interest are included in this report for descriptive purposes, the margins of error for these smaller groups are not provided.

The key findings of the survey include:

- TSP participants are generally more satisfied with the plan than comparable employees in the private sector are with their 401(k) plans.
- TSP participants are satisfied with the administration of the plan and find the web-based information provided by the TSP as critical for building program understanding and financial literacy. Those who make use of this information exhibit significantly different investment behavior in their TSP account.
- Federal workers and uniformed service members identify their TSP account as a cornerstone of their future retirement income.





- FERS members identify matching contributions as a key reason why they participate in the TSP program while CSRS employees note tax benefits as their primary motivation for contributing.
- TSP participants are generally in favor of automatic enrollment of new Federal employees and service members in the TSP program.
- TSP participants believe that adding a Roth 401(k) option to the program will make it a better program. This sentiment is particularly strong among uniformed service members. However, use of a Roth IRA is weak among those expressing interest in a Roth 401(k) option.
- TSP participants generally favor adding additional investment options to the TSP. However, they are very price-sensitive to adding specific investment options – preferring to add options only if they cost about the same as existing funds. The strongest support for a new fund option is for a TIPS Fund.





About the Survey

The Federal Retirement Thrift Investment Board (FRTIB) partnered with Watson Wyatt in September 2006 to conduct a survey of participants in the Thrift Savings Plan (TSP). The objectives of the survey included gaining a better understanding of participants' needs, attitudes, understanding, and satisfaction with a number of elements of the plan. The study also sought to gauge participants' reactions to some potential changes to the TSP that are under consideration.

To create a valid survey instrument, Watson Wyatt and FRTIB collaborated to refine survey content through an iterative process. As part of this exercise, the team administered two pretest sessions with FRTIB employees and Federal employees and uniformed service members outside of FRTIB to solicit feedback on the ease and appropriateness of the instrument. The final instrument contained 46 closed-ended items (including sub-items) as well as one open-ended question in which participants were asked to provide comments or suggestions regarding the TSP. The survey also included several demographic questions to allow segmentation of results. The final survey content was approved by senior leadership, including the Executive Director of the FRTIB, prior to survey administration. The final survey instrument is included as Appendix A to this report. Watson Wyatt performed all survey distribution, data collection, and data analysis to ensure confidentiality.

Over two phases of data collection, Watson Wyatt mailed paper survey packets to 29,216 randomly selected Federal employees and uniformed service members to achieve a statistically reliable, representative sample. There were 2,364 survey packets returned as undeliverable, leaving 26,852 eligible for completion. Survey administration for the first phase occurred between November 3 and November 22, 2006, and for the second phase between March 3 and March 26, 2007. A total of 5,053 FRTIB participants returned a completed survey, representing a total response rate of 19 percent. Figure 1.1 presents response counts for each retirement system and figure 1.2 presents the distribution of respondents by retirement system.





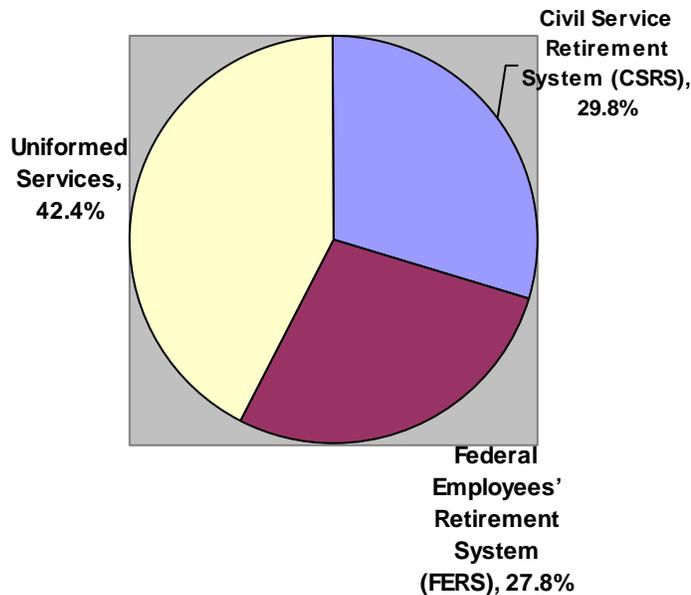
The table below provides the standard errors at the total program level as well as at the retirement system level for a 95 percent confidence interval (see Figure 1.1). In analyzing any particular survey item, the actual margin of error will vary based on the number of respondents who answered that item and the actual estimated distribution of the responses.

Fig. 1.1 Number Responding and Estimated Margins of Error by Retirement System

<u>Retirement System</u>	<u>Number Mailed</u>	<u>Number Responding</u>	<u>Margin of Error</u>
TSP Overall	29,216 ¹	5,053	1.4%
Civil Service Retirement System (CSRS)		1,506	2.5%
Federal Employees' Retirement System (FERS)		1,403	2.6%
Uniformed Services (Active Duty and Reserves)		2,144	2.1%

¹ Overall, 2,364 surveys were unable to be delivered, resulting in an adjusted response rate of 19%.

Fig. 1.2 Distribution of Respondents by Retirement System





Part A: Savings and Contributions to the TSP

Level of TSP Participation

All survey respondents currently have a TSP account with a non-zero balance. Employees in the Federal Employees' Retirement System (FERS) can make salary deferrals immediately after being hired. In addition, usually 6 to 12 months after they are hired by the Federal government, they become eligible to receive a one percent non-matching contribution as well as matching contribution. Respondents to this survey include FERS members who deferred a portion of their pay and also FERS members who do not contribute but receive the 1 percent non-matching agency contribution. Civil Service Retirement System (CSRS) and uniformed service participants can make salary deferral contributions immediately after being hired but do not receive agency contributions.¹ As such, this survey includes only CSRS or uniformed service members who contributed a portion of their pay to the TSP at some point during their career.

Federal workers were asked whether they had contributed to the TSP over the last two years. The survey reflects a FERS employee participation rate of 87.1 percent (See Figure 2.1 and 2.2). This rate is consistent with the known FERS participation rate from the record keeping system data where during 2006 the FERS participation rate ranged from 85.7 percent to 86.3 percent. Also, participation rates among FERS members are quite a bit higher than the average 401(k) plan, which typically has three in four employees contributing money to the plan at any one time.² However, it is important to note that the lowest FERS participation rates are for workers age 50 and older with pay less than \$40K, which likely represent the long-term and low paid segment of the FERS workforce.

¹ While there is a pilot program currently in place for a small group of U.S. Army members to receive matching agency contributions, none of these members participated in this survey.

² Average plan-weighted participation in the private sector is 74 percent and rates among large companies with over 5,000 employees are typically lower at 68 percent. See Vanguard, 2006. *How America Saves 2006, A Report on Vanguard 2005 Defined Contribution Plan Data.* www.vanguardretirementresearch.com.





Fig. 2.1 FERS TSP Participation Rates by Age and Pay

Q1. In the past two years, have you contributed to the TSP?

	Pay Groups			All
	Less than \$40K	\$40K to \$80K	\$80K and Over	
All (N=1212)	77.6%	89.5%	94.7%	87.1%
Less than Age 40	86.0%	91.1%	95.7%	90.0%
40s	79.1%	92.4%	97.6%	90.3%
Age 50 and Over	69.7%	86.0%	92.2%	82.7%
Males (N=686)	78.3%	88.3%	94.3%	87.4%
Less than Age 40	95.5%	90.4%	97.1%	93.1%
40s	82.4%	93.3%	98.1%	92.7%
Age 50 and Over	68.2%	83.0%	90.9%	81.0%
Females (N=526)	76.9%	91.1%	95.7%	86.6%
Less than Age 40	80.5%	91.8%	-	87.2%
40s	76.9%	91.0%	96.6%	87.2%
Age 50 and Over	71.9%	90.4%	96.4%	85.5%

Notes: Includes non-retirees who are currently employed by the Federal Government and members of the FERS.

Fig. 2.2 FERS TSP Participation Rates by Age and Tenure

Q1. In the past two years, have you contributed to the TSP?

	Tenure Group				All
	Less than 2	2 to 5	5 to 15	15+	
All (N=1203)	82.3%	84.2%	89.8%	90.0%	86.9%
Less than Age 40	90.0%	89.6%	91.5%	-	90.1%
40s	79.6%	85.9%	89.4%	94.8%	89.4%
Age 50 and Over	74.2%	75.8%	88.2%	87.2%	82.9%
Males (N=682)	84.4%	84.4%	90.9%	88.4%	87.4%
Less than Age 40	95.7%	93.1%	91.8%	-	93.1%
40s	86.4%	87.5%	93.2%	94.7%	92.2%
Age 50 and Over	74.6%	73.7%	88.3%	84.3%	81.3%
Females (N=521)	80.0%	83.9%	88.5%	93.5%	86.4%
Less than Age 40	85.7%	86.6%	91.2%	-	87.4%
40s	74.1%	84.4%	86.0%	95.0%	85.9%
Age 50 and Over	73.3%	78.9%	88.0%	93.7%	85.6%

Notes: Includes non-retirees who are currently employed by the Federal Government.

Among non-contributors, the top reasons Federal workers are not currently contributing to the TSP is because they are saving in other ways and the lack of money (See Figure





3.1 to 3.3). Not having enough money is most often cited as a reason by CSRS members at 25.9 percent while only 14 percent of uniformed service members indicate such. Slightly more than 20 percent of respondents indicate they are saving for retirement in other ways, and this is the top reason among uniformed service members. Roughly 8 percent of respondents report they are not contributing due to hardship withdrawals that suspended their contributions. Very few respondents indicate that the TSP is too complex or that they are unsure of how to sign up for the plan. However, any confusion about signing up or indication of plan complexity is almost exclusively linked to FERS members. This is not surprising given that all CSRS and uniformed service respondents had at one point voluntarily signed up to contribute a portion of pay to the plan.

Fig. 3.1 Top Reasons for NOT Participating in the TSP
 Q3. *Why aren't you currently contributing to the TSP?*

	Retirement System			
	<u>CSRS</u>	<u>FERS</u>	<u>Uniformed Services</u>	<u>All</u>
<i>N</i>	189	309	279	777
Saving in other ways	24.3%	14.6%	24.0%	20.3%
Don't have enough money	25.9	20.1	14.3	19.4
Hardship withdrawal	16.9	7.1	2.5	7.9
Can't access money before retirement	9.5	3.9	5.0	5.7
Not sure how to sign up	0.5	11.0	0.7	4.8
Not satisfied with investment options	4.8	1.9	6.1	4.1
Too complex	0.5	5.8	2.2	3.2
Already contributed the maximum	3.2	0.3	6.1	3.1
Not eligible to contribute	4.2	1.3	2.5	2.5
New employee and don't get matching contributions	0.0	3.6	0.7	1.7

Notes: Includes active employees who are not currently contributing to the TSP. Participation is based on administrative records, since it reflects current contribution decisions, while the survey captures whether the respondent contributed over the last two years.





Fig. 3.2 Top Reasons for NOT Participating in the TSP by Age and Pay

Q3. Why aren't you currently contributing to the TSP?

	Age			Pay			All
	Less than Age 40	40s	Over Age 40	Less than \$40K	\$40K to \$80K	\$80K and Over	
Saving in other ways	21.1%	16.8%	22.6%	15.7%	18.7%	26.3%	20.3%
Don't have enough money	19.6	16.3	21.8	26.7	20.8	12.7	19.4
Hardship withdrawal	6.4	6.2	9.7	5.8	10.2	6.6	7.9
Can't access money before retirement	2.9	4.3	8.0	3.1	7.5	4.8	5.7
Not sure how to sign up	4.9	4.3	5.2	13.6	3.3	0.0	4.8
Not satisfied with investment options	4.9	3.4	4.3	4.2	4.8	3.1	4.1
Too complex	2.0	4.8	3.2	6.3	3.0	1.3	3.2
Already contributed the maximum	2.5	4.8	2.6	0.0	1.5	7.9	3.1
Not eligible to contribute	2.0	1.4	3.4	2.6	2.1	2.2	2.5
New employee and don't get matching contributions	0.5	0.5	3.2	3.7	0.9	1.3	1.7

Notes: Includes active employees who are not currently contributing to the TSP. Participation is based on administrative records, since it reflects current contribution decisions, while the survey captures whether the respondent contributed over the last two years.

Fig. 3.3 Top Reasons for NOT Participating in the TSP by Education

Q3. Why aren't you currently contributing to the TSP?

	High School or Less	Some College	College Graduate or Some Grad	Graduate Degree	All
	<i>N</i>	93	216	239	
Saving in other ways	12.9%	18.5%	24.7%	19.1%	20.3%
Don't have enough money	26.9	22.7	21.3	11.1	19.4
Hardship withdrawal	17.2	10.2	7.1	2.0	7.9
Can't access money before retirement	2.2	6.9	7.1	2.5	5.7
Not sure how to sign up	7.5	7.4	3.8	1.5	4.8
Not satisfied with investment options	0.0	6.0	3.8	3.5	4.1
Too complex	4.3	5.6	2.5	0.5	3.2
Already contributed the maximum	0.0	0.9	1.3	9.1	3.1
Not eligible to contribute	2.2	2.3	2.5	2.5	2.5
New employee and don't get matching contributions	3.2	1.9	1.3	1.5	1.7

Notes: Includes active employees who are not currently contributing to the TSP. Participation is based on administrative records, since it reflects current contribution decisions, while the survey captures whether the respondent contributed over the last two years.

Overall, respondents report tax benefits as the top reason for contributing to the TSP (See Figures 4.1 & 4.2). Over 75 percent of CSRS members highlight this reason compared to 63 percent of FERS respondents. Matching contributions is the top reason FERS members contribute to the TSP – cited by more than 85 percent of respondents. In





addition, survey results indicate that word of mouth from co-workers or supervisors is not a major driver of employee participation.

Fig. 4.1 Top Reason for Participating in the TSP

Q4. Whether or not you are contributing to the TSP, which of the following are (or would be) your reasons for contributing to the TSP?

	<u>FERS</u>	<u>CSRS</u>	<u>Uniformed Services</u>	<u>All</u>
N	1266	1040	1497	3803
Tax benefits	63.4%	75.7%	70.5%	69.6%
Convenience of payroll deduction	55.1	61.4	56.0	57.2
Matching contributions	85.4	10.8	34.1	44.8
So I can retire when I want to	41.1	36.9	41.4	40.1
Administrative costs are low	15.2	26.3	26.0	22.5
Co-worker recommended	8.5	6.4	4.8	6.4
My supervisor recommended	3.4	0.9	3.5	2.7

Notes: Includes non-retirees who are currently employed by the Federal Government.

Fig. 4.2 Top Reason for Participating in the TSP by Age and Pay

Q4. Whether or not you are contributing to the TSP, which of the following are (or would be) your reasons for contributing to the TSP?

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Tax benefits	58.8%	72.8%	75.5%	48.9%	67.9%	85.3%	69.6%
Convenience of payroll deduction	52.9	56.0	61.5	49.3	58.9	61.0	57.2
Matching contributions	53.6	49.7	37.8	56.6	47.7	35.9	44.8
So I can retire when I want to	47.7	43.9	34.0	38.5	40.4	42.3	40.1
Administrative costs are low	17.5	21.9	26.3	13.4	18.4	34.0	22.5
Co-worker recommended	8.5	6.1	5.4	10.8	6.8	3.8	6.4
My supervisor recommended	5.8	2.4	1.2	7.0	2.2	1.1	2.7

Notes: Includes non-retirees who are currently employed by the Federal Government.

When asked about what changes would encourage greater Federal worker participation, two out of three respondents say that immediate matching contributions would increase the number of contributors (see Figures 5.1 & 5.2). Also, a majority of respondents say that automatic enrollment would boost the number of workers contributing to the TSP. However, only one in four says that more investment choices would have an effect. Eleven percent of respondents indicate an option other than what was specifically listed on the questionnaire. Of those selecting





this option, the largest group found that adding matching contributions would encourage higher participation. This was especially true among uniformed service members. Many respondents also believe that more education and communication would encourage Federal workers and uniformed service members who are not contributing today to do so in the future.

Fig. 5.1 Changes to TSP that will Encourage Higher Participation

Q26. Which of the following changes to the TSP do you think will encourage more Federal employees/service members to become contributors to the TSP?

	<u>FERS</u>	<u>CSRS</u>	<u>Uniformed Services</u>	<u>All</u>
N	1403	1506	2144	5053
Immediate matching contributions	70.2%	62.0%	72.9%	68.9%
Automatic enrollment	56.9	59.6	51.4	55.4
More investment choices	28.3	24.7	26.9	26.6
Other	9.9	7.8	13.5	10.8
None	4.3	6.1	3.8	4.6

Notes: Based on all respondents.

Fig. 5.2 Changes to TSP that will Encourage Higher Participation by Age and Pay

Q26. Which of the following changes to the TSP do you think will encourage more Federal employees/service members to become contributors to the TSP?

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Immediate matching contributions	73.1%	68.8%	68.8%	68.5%	68.4%	72.8%	68.9%
Automatic enrollment	47.6	55.0	60.7	49.0	55.1	61.8	55.4
More investment choices	28.0	27.2	26.3	27.2	26.5	27.4	26.6
Other	14.6	11.7	8.9	9.3	11.8	11.2	10.8
None	4.4	4.8	4.7	6.3	4.3	4.1	4.6

Notes: Based on all respondents.





Savings Rates in the TSP

In a typical employer-sponsored savings plan like the TSP, employees are the primary source of funding and employer contributions play a secondary role. For CSRS and most uniformed service members, however, employee contributions represent the only source of savings. As such, the level of participant contributions is a critical determinant of whether the plan will generate an adequate level of savings for retirement.

TSP survey respondents indicate saving on average 10.2 percent of their income (see Figures 6.1 to 6.4). The median participant contribution rate is 10.0 percent, meaning that half of participants are saving above this rate and half are saving below it. These contribution rates are over three percentage points higher than typical private sector savings plan contributions of 7.3 percent in 2005.³ This finding can be partly explained by the comparatively older workforce within the Federal Government. **However, after controlling for age and pay, TSP savings rates are still higher than those observed in the private sector.** The savings rates represented by this survey are self-reported and exclude eligible employees who are not currently contributing to the TSP.

Average savings rates among FERS and CSRS participants are not significantly different (9.0% vs. 9.1%), although, there is a two percentage point difference between median saving rates (7.2% vs. 10.0%). The lower median saving rate among FERS participants is due to nearly a third of all members contributing at the 5 percent of pay threshold, which is the maximum rate that FERS participants receive in matching contributions. The highest savings rates belong to members of the Uniformed Services, who report savings rates almost 3 percentage points above FERS and CSRS members and almost 5 percentage points above the average participant in the private sector. However, the median rate is equal to the overall Federal employee rate of 10 percent indicating that a disproportionate share of uniformed service members are contributing a very high percentage of their pay to the TSP. **In fact, nearly 11 percent members of the**

³ Vanguard, 2006. *How America Saves 2006, A Report on Vanguard 2005 Defined Contribution Plan Data.* www.vanguardretirementresearch.com.





Uniformed Services indicate contributing 20 percent of pay or higher to the TSP compared to 4.1 percent of FERS members and 4.2 percent of CSRS members.⁴

Fig. 6.1 TSP Average Participant Contribution Rates by Retirement System and Gender

Q2. What percentage of your pay are you currently contributing to the TSP?

	Contribution Rates							
	FERS		CSRS		Uniformed Services		All	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
<i>N=2,958</i>								
Male	9.1%	8.0%	9.5%	10.0%	11.9%	10.0%	10.5%	10.0%
Female	8.8	6.0	8.7	9.0	11.6	10.0	9.4	8.0
All	9.0	7.2	9.1	10.0	11.9	10.0	10.2	10.0

Notes: Includes non-retirees who are currently employed by the Federal Government and who are currently contributing a portion of pay to the TSP.

Fig. 6.2 TSP Average Participant Contribution Amount by Retirement System and Gender

Q2. What percentage of your pay are you currently contributing to the TSP?

	FERS		CSRS		Uniformed Services		All	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
	<i>N=2,958</i>							
Male	\$6,271	\$4,875	\$8,558	\$7,200	\$9,019	\$6,300	\$8,084	\$6,250
Female	\$5,223	\$3,125	\$6,629	\$5,044	\$7,078	\$5,000	\$6,144	\$4,500
All	\$5,824	\$4,000	\$7,689	\$7,000	\$8,612	\$6,250	\$7,413	\$5,000

Notes: Includes non-retirees who are currently employed by the Federal Government and who are currently contributing a portion of pay to the TSP. Contribution amounts were derived using respondent's self-reported contribution rates times the mid-point of their annual pay group.

⁴ In part, this can be attributed to the fact that members of the Uniformed Services may receive tax-exempt contributions which are not limited by IRS rules 402(g), which restricted pre-tax contributions to \$15,000 in 2006. Tax-exempt contributions are only limited by the 415(c) rules.





Fig. 6.3 TSP Average Participant Contribution Rates by Retirement Age and Pay

Q2. What percentage of your pay are you currently contributing to the TSP?

N=2,958	Pay Group					All
	Less than \$40K	\$40K to \$60K	\$60K to \$80K	\$80K to \$100K	\$100K and Over	
Less than Age 30	9.4%	7.8%	12.5%	10.6%	-	10.1%
30 to 39	8.4	9.2	11.6	10.7	10.6	10.1
40s	8.3	8.8	10.2	10.9	10.7	9.8
50 to 59	10.3	9.5	10.5	12.1	10.5	10.6
Age 60 and Over	8.0	9.9	10.6	11.1	11.8	10.2
All	8.9	9.0	11.1	11.1	10.9	10.2

Notes: Includes non-retirees who are currently employed by the Federal Government and who are currently contributing a portion of pay to the TSP.

Fig. 6.4 TSP Average Participant Contribution Rates by Retirement Age and Tenure

Q2. What percentage of your pay are you currently contributing to the TSP?

N=2,958	Tenure Group					All
	Less than 2	2 to 5	5 to 15	15 to 25	25+	
Less than Age 30	7.0%	9.0%	10.8%	-	-	9.4%
30 to 39	6.8	9.8	10.1	10.8%	-	9.9
40s	8.5	8.0	10.3	10.3	9.8%	9.9
50 to 59	7.6	8.2	10.2	10.9	11.0	10.6
Age 60 and Over	9.5	9.3	9.7	13.7	10.1	10.5
All	7.7%	9.0%	10.3%	10.8%	10.4%	10.1%

Notes: Includes non-retirees who are currently employed by the Federal Government and who are currently contributing a portion of pay to the TSP





Conclusion on TSP Participation and Savings Rates

Survey results indicate that Federal employees and uniformed service members are highly engaged in the TSP. Eighty-seven percent of FERS members indicate having contributed a portion of their pay to the TSP over the last two years, and among all participants, the average respondent is contributing over 10 percent of pay to the plan. FERS members most often cite matching contributions as the main reason for participating in the TSP. However, among members of each of the retirement systems, participants also highlight the tax benefits and the convenience of payroll deductions as key reasons for participating. The main reasons Federal workers and uniformed service members do not participate in the TSP is because they either do not have the money or they are saving in other ways. Overwhelmingly, they feel the key to higher participation rates is through immediate matching contributions. Automatic enrollment is also highlighted as an effective means to boosting the number of contributors.



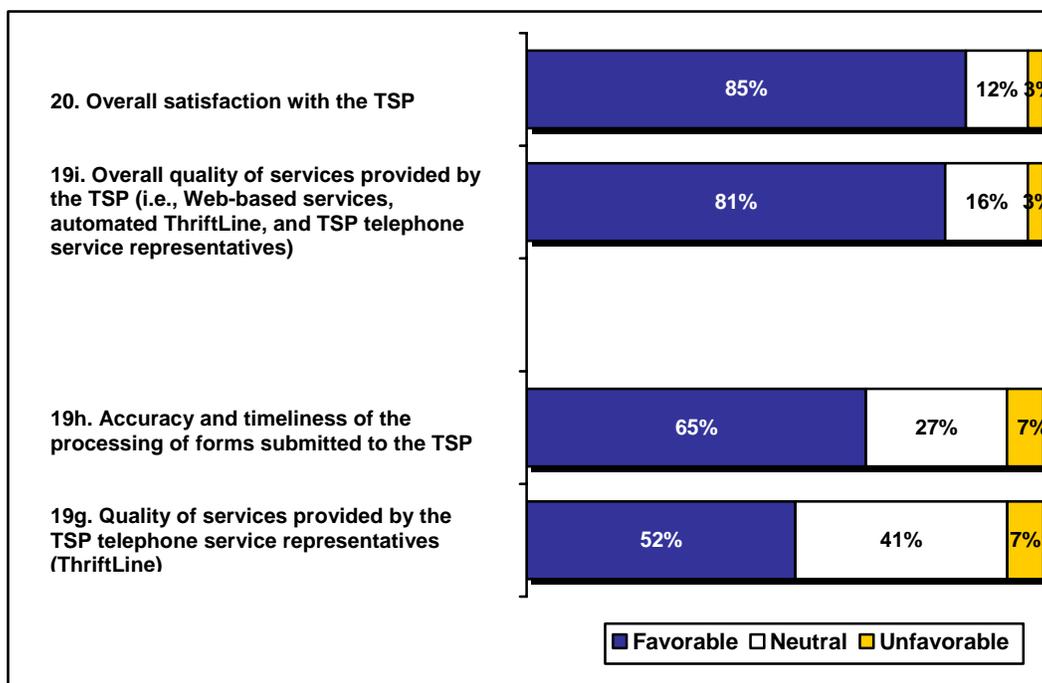


Part B: TSP Benefits and Services

Overall Satisfaction with TSP and Customer Service

As a whole, respondents have a high level of satisfaction with the TSP, reporting an 85 percent favorable rating (see Figure 7.1 to 7.4). This result compares favorably to the 68 percent of private-sector participants who indicate a favorable rating on their 401(k) plan.⁵ Specific indicators of high participant satisfaction with the TSP include the quality of available plan services and the level of customer service. Eighty-one percent of respondents report satisfaction with the service options available to them.

Fig. 7.1 Satisfaction with the TSP



Notes: Based on all respondents.

The majority of respondents do not have an opinion about the quality of service received from TSP telephone service representatives on the ThriftLine. Of those who did respond to the question, slightly more than half (52 percent) report they are satisfied, while

⁵ Watson Wyatt Retirement Attitude Survey (2004) collected responses on overall 401(k) plan satisfaction from 7,911 private sector employees at 982 firms.





another 40 percent were “neutral”. This is not surprising given participants strong preference for the web over phone interaction. For those who submitted forms to the TSP for processing, approximately two-thirds are satisfied with the accuracy and timeliness of this service.

Fig. 7.2 Satisfaction with the TSP by Retirement System
Q19.

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Q19g. Quality of services provided by the ThriftLine	60.4%	7.8%	54.9%	5.2%	44.3%	8.1%
Q19h. Accuracy and timeliness of the processing of forms submitted to the TSP	74.0	5.0	65.2	7.0	59.1	9.1
Q19i. Overall quality of services provided by the TSP	83.6	2.6	81.1	3.1	78.9	4.0
Q20. Overall satisfaction with the TSP	87.7	2.7	85.4	2.4	83.2	3.8

Notes: Based on all respondents.

Fig. 7.3 Satisfaction with the TSP by Salary
Q19.

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Q19g. Quality of services provided by the ThriftLine	53.1%	7.6%	54.2%	5.3%	47.5%	9.2%
Q19h. Accuracy and timeliness of the processing of forms submitted to the TSP	60.8	10.2	67.1	5.8	65.5	7.3
Q19i. Overall quality of services provided by the TSP	75.3	5.0	82.4	2.2	82.4	3.5
Q20. Overall satisfaction with the TSP	78.9	5.0	86.1	2.7	88.0	2.1

Notes: Based on all respondents.

Fig. 7.4 Satisfaction with the TSP by Age
Q19.

	Less than Age 40		40s		Over Age 40	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Q19g. Quality of services provided by the ThriftLine	46.2%	7.2%	51.4%	5.8%	55.7%	7.7%
Q19h. Accuracy and timeliness of the processing of forms submitted to the TSP	62.1	8.9	65.8	6.4	66.6	6.8
Q19i. Overall quality of services provided by the TSP	81.1	3.4	80.9	3.2	80.9	3.3
Q20. Overall satisfaction with the TSP	84.4	3.6	84.5	3.0	85.9	2.8

Notes: Based on all respondents.

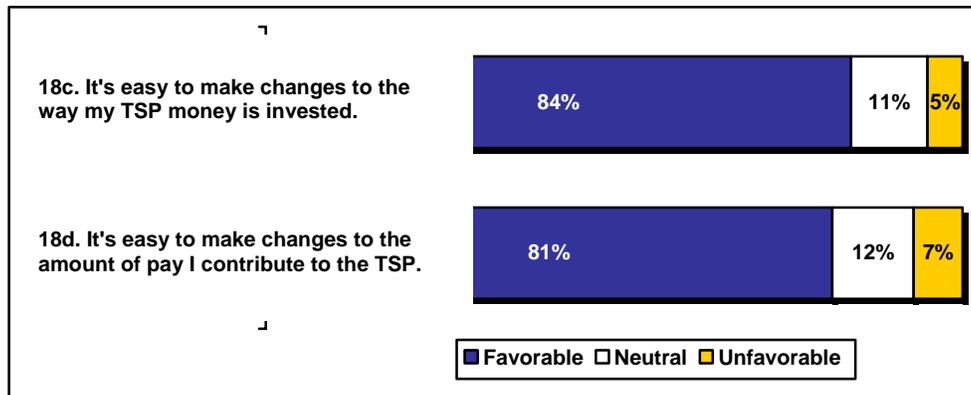




Making Administrative Changes

Survey respondents report a high level of satisfaction with their ability to make changes to their TSP accounts (See Figures 8.1 to 8.3). Eighty-four percent report that it is easy to make changes to their TSP investment allocations, and 82 percent note that it is easy to make changes to their contribution amounts.

Fig. 8.1 Ease of Administrative Changes



Notes: Based on all respondents.

Fig. 8.2 Ease of Administrative Changes by Retirement System

Q18. TSP Information and changes in individual options

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
18c. It's easy to make changes to the way my TSP money is invested	85.5%	4.6%	82.3%	4.7%	85.2%	4.9%
18d. It's easy to make changes to the amount of pay I contribute to the TSP	83.5	5.2	82.3	6.4	83.1	7.9

Notes: Based on all respondents.

Fig. 8.3 Ease of Administrative Changes by Salary

Q18. TSP Information and changes in individual options

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
18c. It's easy to make changes to the way my TSP money is invested	76.9%	7.4%	85.1%	4.2%	87.4%	4.0%
18d. It's easy to make changes to the amount of pay I contribute to the TSP	80.5	7.8	83.3	6.0	83.8	7.1

Notes: Based on all respondents.





Information and Resources

American workers assume a significant role in preparing for and ensuring a secure retirement. Employers, however, must provide the essential information, education and resources to help their employees meet this goal. The ability to access account information easily and as often as needed is an important step for employers in ensuring retirement preparedness.

TSP participants overwhelmingly note that the Internet (See Figures 9.1 & 9.2) is their preferred means for accessing and receiving TSP account information. Participants generally favor accessing their account information on-line from home (49 percent). Uniformed Service members are particularly Internet savvy, as nearly 3 in 5 reports accessing their TSP account information on-line from home. In addition, younger Federal workers also have a proclivity for retrieving their account information through their home Internet connection. Dedicating greater resources to enhancing the TSP's web-based information and tools would have wide-ranging affects for TSP participants.

Despite today's high-tech information age, a large number of participants (29.7 percent) continue to favor paper statements for their account information. The number of paper statements that are printed and mailed by the TSP is actually about 11 percent of the population. The difference may be attributable to the TSP's on-line capability, where a participant can print their statement via the Web. Only 3 percent of respondents rely on the TSP ThriftLine for regular updates on their account. In fact, only slightly more than one third of all TSP participants (37.1 percent) indicate having ever contacted the TSP ThriftLine and spoken to a telephone service representative about their account.





Fig. 9.1 How TSP Participants Usually Access Account Information

Q14. How do you usually access/receive your TSP account information?

	CSRS	FERS	Uniformed Services	All
On-line from home	40.9%	45.0%	58.2%	49.4%
On-line from work	37.9	41.6	35.7	38.0
Receive paper statements	36.9	30.6	24.2	29.7
I don't review	3.4	10.5	6.3	6.6
Call the TSP ThriftLine	5.7	3.0	1.6	3.2

Notes: Based on all respondents.

Fig. 9.2 How TSP Participants Usually Access Account Information by Age and Pay

Q14. How do you usually access/receive your TSP account information?

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
On line from home	56.8	51.1	46.1	44.4	49.7	54.0	49.4
On line from work	43.6	42.5	33.9	25.5	40.2	46.5	38.0
Receive paper statements	22.0	28.3	35.0	34.7	28.8	27.7	29.7
I don't review	9.4	6.2	5.6	13.0	6.3	3.1	6.6
Call the TSP ThriftLine	1.6	2.5	4.4	4.3	3.9	1.8	3.2

Notes: Based on all respondents.

TSP participants generally find the information about the TSP as being useful to participants and easy to access (See Figures 10.1 to 10.3). Four out of five respondents report that available TSP information helped to explain the plan's benefits. Seventy-four percent also note that this information aided with decisions regarding their TSP account.

In general, survey respondents are satisfied with their ability to access information about their account and with the plan's overall features. Respondents report higher satisfaction with getting their information through the TSP Web site rather than the ThriftLine (83 percent versus 69 percent favorable, respectively, as shown in Figure 10). This is not a surprising finding since most respondents cite the Internet as their main method for accessing or receiving TSP account information.





Fig. 10.1 Satisfaction with TSP Information

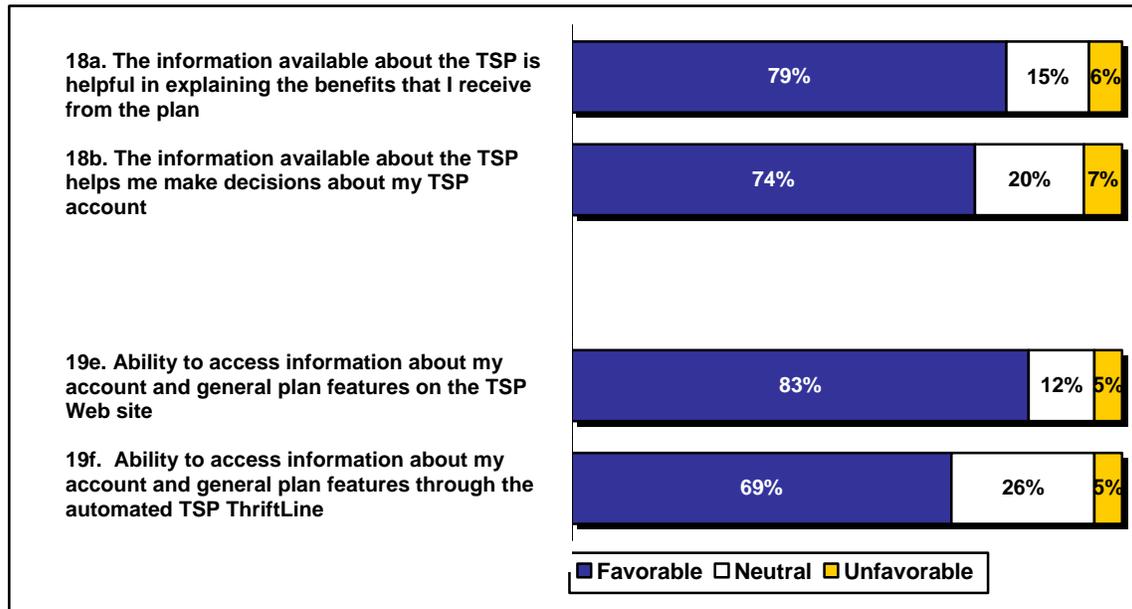


Fig. 10.2 Satisfaction with TSP Information by Retirement System

Q18 & Q19. TSP Information and changes in individual options

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Q18a. Information is helpful in explaining benefits that I receive from the TSP	82.4%	3.9%	77.1%	7.3%	77.9%	6.4%
Q18b. Information helps me make decisions about my TSP account	76.7	4.1	70.2	7.9	72.3	6.7
Q19e. Ability to access information about my account and general plan features on the TSP Web site	84.8	4.2	83.5	4.3	81.9	5.8
Q19f. Ability to access information about my account and general plan features through the automated TSP ThriftLine	74.9	5.7	71.7	4.5	62.2	6.0

Notes: Based on all respondents.





Fig. 10.3 Satisfaction with TSP Information by Pay
 Q18 & Q19. TSP Information and changes in individual options

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Q18a. Information is helpful in explaining benefits that I receive from the TSP	70.9	9.4	79.6	5.9	82.8	4.1
Q18b. Information helps me make decisions about my TSP account	64.9	9.1	73.2	6.0	76.9	5.1
Q19e. Ability to access information about my account and general plan features on the TSP Web site	77.9	6.5	83.7	4.3	86.0	4.6
Q19f. Ability to access information about my account and general plan features through the automated TSP ThriftLine	65.9	6.7	69.7	4.4	69.4	5.6

Notes: Based on all respondents.

Participants who take an active role in the management of their investment choices and savings rates today have the best opportunity to achieve retirement savings goals and expectations in the future. One step in actively managing an account is to review account information regularly. Overall, participants appear to be highly engaged in reviewing their accounts. Over two-thirds of TSP participants review their account at least quarterly (See Figures 11.1 and 11.2). It is likely that many FERS employees only have the agency automatic 1% contribution.

Fig. 11.1 How often do you review your TSP account?
 Q13. How often do you review your TSP account?

	Frequency that Members Review Account		
	Monthly or Quarterly	Semi-Annually or Annually	Rarely or Never
FERS	63.6%	14.1%	22.3%
CSRS	67.0	18.7	14.3
Uniformed Services	64.6	17.8	17.6
All	65.1	17.0	17.9

Notes: Based on all respondents.





Fig. 11.2 How often do you review your TSP account? (by Age and Pay)

Q13. How often do you review your TSP account?

	Frequency that Members Review Account		
	Monthly or Quarterly	Semi-Annually or Annually	Rarely or Never
Age			
Less than Age 40	65.3%	14.3%	20.4%
40s	63.0	18.6	18.4
Age 50 and Over	66.0	17.5	16.5
Pay			
Less than \$40K	54.1%	17.5%	28.4%
\$40K to \$80K	65.9	16.6	17.4
\$80K and Over	70.8	17.8	11.4

Current TSP Design

Survey participants were asked for their opinions about specific elements of the current TSP. Many respondents did not have an opinion or were uncertain about how to respond. The selection of “Don’t Know/Not Applicable” by survey respondents may indicate that some plan options are not available to them. This response also may suggest a lack of knowledge about specific plan elements or the inability to spontaneously recall specific plan elements.

FERS participants are the most satisfied with the level of matching contributions, while uniformed service members are the most dissatisfied with the level of matching contributions (See Figure 12). Satisfaction with matching contributions by participants in systems other than the FERS suggests that they are either unaware that a match is not provided or are aware but accept this fact. FERS members are generally favorable towards the waiting period to receive agency contributions as respondents are nearly twice as likely to respond favorably as opposed to unfavorably.

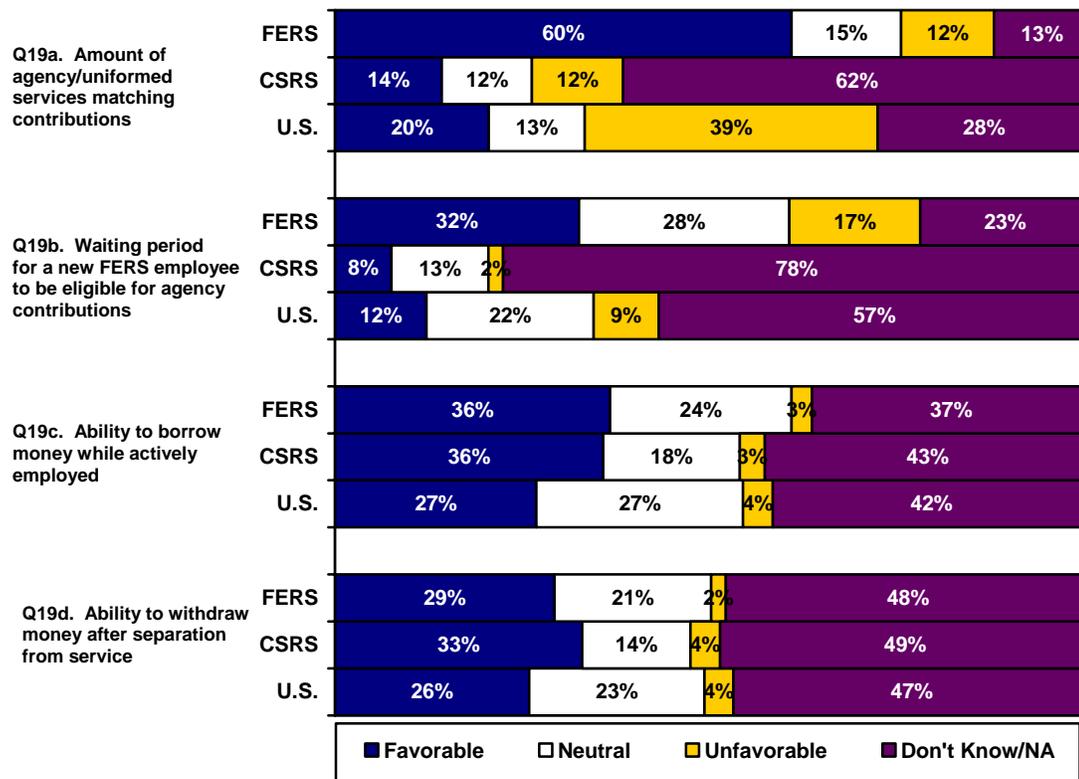
A participant’s ability to withdraw money from his/her TSP account after separation from service and the ability to borrow from the account while actively employed is generally viewed favorably (See Figure 12). While these favorable rankings are not particularly high, these two questions receive many “neutral” responses, suggesting that participants





may be indifferent to the ability to withdraw or borrow money from their accounts. There are also a significant number of respondents who replied “Don’t Know/Not Applicable” to these items, which reinforces the high degree of indifference among respondents to withdraw or borrow money from their accounts. However, it may also reveal a degree of indifference because these participants have not yet had the need to investigate the availability of the benefits.

Fig. 12. Satisfaction with Characteristics of the TSP





Asset Allocation in the TSP

In addition to employee contributions to retirement accounts, how funds are invested over a participant's career can significantly affect the level of funds available at retirement. Similar to private sector defined contribution plans, the responsibility for making investment decisions rests with TSP members. Like other employer-sponsors of self-directed savings plans, the FRTIB seeks to ensure that TSP participants have sufficient education and information in order to make informed contribution and investment decisions. If members do not make asset allocation decisions, funds in their accounts are invested in the G Fund, which invests in short-term U.S. Treasury securities with no risk of loss of principal.

The survey asked members to describe their approach for investing in the TSP. Overall, the distribution of risk approaches is concentrated between moderate risk and balanced – comprising nearly three in five responses (See Figure 13). A sizeable minority of TSP members, nearly 30 percent, identify their approach as low risk or no risk. However, slightly more than 10 percent of respondents indicate that they follow a high risk approach to investing their TSP funds.

The approach taken by TSP members is highly linked to a respondent's age. It is important to note that the age-based results are based on the sample sizes of the respondents and margins of error are not provided. Based on survey responses, younger workers report, as expected, taking on more risk in investing their TSP assets. Professional financial advisers typically suggest that workers early in their careers and with a long investment horizon are well-matched to invest a higher proportion of their retirement assets in riskier equity funds and shift to more stable fixed-income assets later in their careers. This common approach – known as time diversification – is based on the principle that the longer the time horizon the greater an investor's ability to weather short-term declines.





Fig. 13. Self-Reported Approach to Investing TSP Assets

Q 16. How would you describe your approach for investing the money in your TSP account?

	High Risk	Moderate Risk	Balanced	Low Risk	No Risk
Retirement System					
CSRS	9.3	24.7	29.6	22.8	13.6
FERS	10.5	26.0	34.2	18.7	10.6
Uniformed Service	14.2	32.4	31.0	15.4	7.0
Age					
Less than Age 30	16.7	30.7	31.0	14.6	7.1
30 to 39	20.0	34.6	29.2	10.1	6.1
40s	13.5	30.8	33.7	15.3	6.8
50 to 59	8.3	26.9	32.6	22.1	10.1
Age 60 and Over	6.4	21.9	29.2	24.9	17.5
Pay					
Less than \$40K	9.5	22.1	30.8	23.8	13.8
\$40K to \$60K	11.8	24.5	33.2	20.0	10.5
\$60K to \$80K	13.2	30.2	32.6	15.3	8.6
\$80K to \$100K	13.1	33.8	29.7	15.6	7.9
\$100K and Over	11.7	34.2	30.2	17.0	6.9
All	11.8	28.5	31.5	18.6	9.7

Notes: Based on all respondents.

TSP members can select from five individual investment funds that provide a wide range of investment risks to meet a wide range of participant objectives. The **G Fund** is the most conservative option and is based on investing in short-term Treasury securities without risk of loss. The **F Fund**, a conservative option that tracks the Lehman Brothers U.S. Aggregate Index, requires investors to bear market and credit risks not exhibited by the G Fund. TSP's equity options are provided by the **C Fund**, **S Fund** and **I Fund**. The C Fund invests in a fund of medium-to-large U.S. companies that replicates the S&P 500 Index. The S Fund invests in a broad market fund of small- and medium-sized U.S. companies that track closely to the Dow Jones Wilshire 4500 Completion Index. The I Fund invests in a stock index fund that replicates the Morgan Stanley Capital International EAFE Index, a broad international market index comprised primarily of large companies in 21 developed countries. For members who do not have the time, experience or interest in managing their accounts, the TSP also offers five **L Funds – Lifecycle Funds** – with differing time horizons. Each L Fund invests in a mix of the five





individual TSP funds described above. The mix is chosen by experts based on each fund's time horizon.

Survey results indicate a very strong link between participant risk approaches and actual investment choices (See Figure 14). Respondents who indicate a high or moderate investment risk approach report a much higher share of equities in their actual TSP account. Those who chose a very aggressive or high risk strategy hold only 17 percent of their assets in the more conservative G Fund and F Fund. Conversely, the majority of those who indicate a low or no risk investment strategy primarily invest in the G Fund. **The decision to invest in the L Fund appears indifferent to self-reported risk tolerance except among those reporting to be very cautious.**

Fig. 14. TSP Investment Allocations Aligned with Self-Reported Risk Tolerances

	<i>Percentage of Total TSP Account Balance by Fund</i>						<i>TSP Account Balance</i>	
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund	Mean	Median
High Risk	17.4%	2.1%	30.7%	18.1%	21.7%	9.9%	\$38,831	\$12,770
Moderate Risk	25.0%	3.3%	31.1%	14.4%	13.9%	12.2%	\$40,367	\$18,113
Balanced	41.8%	6.1%	22.0%	7.3%	6.8%	15.6%	\$41,941	\$18,583
Low Risk	65.9%	4.5%	13.7%	2.1%	2.5%	10.5%	\$37,126	\$16,257
No Risk	90.9%	1.1%	4.3%	0.4%	0.8%	2.4%	\$36,372	\$20,894

Notes: Based on all respondents.

From an investment perspective, an asset allocation of about 70 percent to equities appears reasonable in light of the long-term retirement objectives of most defined contribution savings plans. In 2005, Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) collaborated and estimated the average asset allocation of funds in over 3.5 million self-directed accounts. Based on their estimates, at year-end 2005, equity securities – equity funds, the equity portion of balanced funds, and company stock – represented about two-thirds of 401(k) plan participants' assets.⁶ On average, the largest portion was invested directly in equity funds at almost 48 percent.

⁶ EBRI Issue Brief, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2005, No. 296, August 2006.





Direct exposure to equities is particularly high among younger workers with 52 percent investing in equity funds compared to workers in their 60s who invest in equity funds at 38 percent. Older workers invest a much higher share of their assets in fixed-income securities, which is consistent with the time-diversification approach (See Figure 15).

Fig. 15. Average Asset Allocation in Private Sector 401(k) Accounts by Participant Age, 2005

Age Group	Fixed-Income			
	Securities	Balanced Funds	Equity Funds	Company Stock
Under 30	20.2%	15.5%	51.9%	10.4%
30 to 39	17.2	11.6	57.6	11.4
40 to 49	20.2	10.9	52.9	13.6
50 to 59	27.6	11.0	45.3	13.7
60 to 69	38.6	10.2	37.8	11.1
All	26.0	10.9	47.9	12.9

Notes: Based on participant-weighted averages.

Source: EBRI Issue Brief, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2005, No. 296, August 2006.

However, survey respondents, on average, invest far less in equities. Overall, TSP participants invest nearly an equal share of their assets in fixed-income securities and equity funds (See Figure 16.1 to 16.4). The average TSP account – that equally weights each participant’s investment allocation – has almost half of its assets invested in the G Fund and F Fund. The fixed-income share is lower among participants age 30 to 49 and rises as workers approach retirement. However, the share of TSP funds invested in equities – particularly the C Fund – rises as years of service with Federal government/uniformed services grows. In particular, the share of assets invested in the G Fund drops significantly after participants reach five years of service.

One explanation for this relatively low share of TSP participants invested in equities may be attributed to Federal employees being more conservative investors than private sector employees. There is also some sense that Federal workers, who take great pride in their jobs, may view the G Fund like private sector employees view their company’s stock. An alternative explanation may be the high level of participant inertia with a disproportionate share of members not making active investment decisions and instead settling for the default portfolio – 100 percent G Fund. In fact, overall equity exposure





risers when the distribution of funds is based on a dollar-weighted estimate, meaning that the percentage of all assets exposed to equities is higher than is implied by the average of all account balances. As such, there are a large number of smaller than average account balances with a greater concentration of assets invested in fixed-income funds. This is reinforced by the fact that a disproportionate share of low-tenured Federal workers is highly invested in the G Fund – likely the result of the G Fund being the default.

Fig. 16.1 Average Asset Allocation of TSP Accounts by Participant Age

	<i>Percentage of Total TSP Account Balance by Fund</i>						<i>TSP Account Balance</i>	
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund	Mean	Median
Less than Age 30	56.7%	2.3%	9.5%	7.5%	8.4%	15.4%	\$4,739	\$1,941
30 to 39	38.7%	3.7%	19.6%	11.0%	11.2%	15.6%	\$13,018	\$5,645
40s	40.7%	4.1%	23.6%	10.2%	9.3%	12.0%	\$32,436	\$13,997
50 to 59	46.9%	4.1%	22.4%	7.9%	8.3%	10.1%	\$46,748	\$26,907
Age 60 and Over	53.0%	4.2%	23.7%	5.0%	6.8%	6.3%	\$62,152	\$39,526
Participant-Weighted ¹	46.3%	3.9%	21.4%	8.3%	8.6%	11.1%	\$37,493	\$15,371
Dollar- Weighted	35.3%	4.5%	31.3%	8.6%	9.4%	10.3%		

Notes: ¹ Equal-weighted by share of assets in participant account. Distribution of funds is based on administrative records for all respondents.

Fig. 16.2 Average Asset Allocation of TSP Accounts by Participant Years of Service

	<i>Percentage of Total TSP Account Balance by Fund</i>						<i>TSP Account Balance</i>	
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund	Mean	Median
Less than 2 years	67.8%	1.4%	6.5%	5.3%	5.0%	13.3%	\$3,694	\$766
2 to 5 years	57.9%	2.1%	10.4%	6.7%	8.0%	14.7%	\$7,926	\$2,711
5 to 15 years	44.6%	4.4%	20.2%	9.4%	9.2%	12.2%	\$19,115	\$6,947
15 to 25 years	42.6%	4.3%	21.5%	10.5%	9.9%	10.7%	\$40,826	\$14,589
25+ years	43.1%	4.2%	26.8%	7.3%	8.4%	9.7%	\$56,056	\$39,421
Participant-Weighted ¹	46.3%	3.9%	21.4%	8.3%	8.6%	11.1%	\$37,493	\$15,371
Dollar- Weighted	35.3%	4.5%	31.3%	8.6%	9.4%	10.3%		

Notes: ¹ Equal-weighted by share of assets in participant account. Distribution of funds is based on administrative records for all respondents.





Fig. 16.3 Average Asset Allocation of TSP Accounts by Participant Pay

	<i>Percentage of Total TSP Account Balance by Fund</i>						<i>TSP Account Balance</i>	
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund	Mean	Median
Less than \$40K	64.1%	2.8%	12.3%	5.3%	5.7%	9.7%	\$12,772	\$3,055
\$40K to \$60K	48.1%	3.9%	20.0%	6.8%	8.1%	12.6%	\$25,130	\$11,690
\$60K to \$80K	41.2%	4.5%	21.8%	9.4%	9.9%	12.8%	\$35,881	\$18,148
\$80K to \$100K	34.7%	4.4%	27.3%	11.7%	11.0%	10.7%	\$50,929	\$28,009
\$100K and Over	36.8%	4.2%	28.5%	10.7%	9.9%	9.7%	\$74,181	\$48,898
Participant-Weighted ¹	46.3%	3.9%	21.4%	8.3%	8.6%	11.1%	\$37,493	\$15,371
Dollar- Weighted	35.3%	4.5%	31.3%	8.6%	9.4%	10.3%		

Notes: ¹ Equal-weighted by share of assets in participant account. Distribution of funds is based on administrative records for all respondents.

Fig. 16.4 Average Asset Allocation of TSP Accounts in the G Fund and F Fund by Participant Age and Years of Service

	<i>Percentage of Total TSP Account Balance Invested in The G & F Funds</i>					All
	Less than 2 years	2 to 5 years	5 to 15 years	15 to 25 years	25+ years	
Less than Age 30	74.5%	58.1%	54.2%	-	-	59.1%
30 to 39	49.5%	48.9%	39.7%	40.8%	-	42.3%
40s	62.9%	66.0%	49.4%	41.9%	37.8%	44.6%
50 to 59	85.3%	67.8%	57.6%	55.5%	45.7%	51.0%
Age 60 and Over	74.0%	72.9%	68.9%	56.8%	53.9%	57.1%
All	69.1%	60.1%	49.0%	46.8%	47.3%	50.0%

The extent to which TSP investment allocations differ based on the resources members used in making their fund allocations may provide some insight on how informed their choices have been. In fact, respondents who received professional advice or reviewed the TSP website or publications tend to choose a more risky asset portfolio with a greater share of their TSP account in equities (See Figure 17.1 to 17.3). **These findings indicate that TSP members are actively using the educational materials provided through the TSP. These materials are also playing an important role in developing financial**





literacy and promoting sound investment decisions among TSP members. Figure 17.2 supports the idea that higher income workers are more likely to seek professional advice on their accounts.

Fig. 17.1 Resources Used by TSP Members to Determine Investment Strategy

Q17. How did you determine where to invest your TSP money?

	CSRS	FERS	Uniformed Services	All
Reviewed TSP website/publications	33.0%	27.9%	36.5%	33.1%
Advice from a financial professional	14.9	11.3	15.7	14.3
Advice from co-workers	17.3	12.6	7.7	11.9
Advice from family/friends	14.2	13.9	9.0	11.9
Spoke with TSP representative	1.4	1.6	3.2	2.2

Fig. 17.2 Resources Used by TSP Members to Determine Investment Strategy by Age and Pay

Q17. How did you determine where to invest your TSP money?

	Age			Pay			Age All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Reviewed TSP website/publications	33.1%	36.1%	32.4%	22.7%	34.5%	39.7%	33.1%
Advice from a financial professional	12.3	15.4	15.1	7.2	12.3	22.2	14.3
Advice from co-workers	11.7	12.1	12.3	14.5	13.2	9.1	11.9
Advice from family/friends	13.6	12.9	10.9	12.0	12.7	11.0	11.9
Spoke with TSP representative	2.1	2.3	2.2	3.3	2.0	1.8	2.2

Fig. 17.3 Resources Used by TSP Members to Determine Investment Strategy and Corresponding Assets Invested in the G and F Funds

Q17. How did you determine where to invest your TSP money?

Resources	Percentage That Use Resource	Percentage of Assets invested in the G and F Funds	
		Use Resource	Don't Use Resource
Reviewed TSP website/publications	33.1%	37.5%	56.5%
Advice from a financial professional	14.3	35.8%	52.6%
Advice from family/friends	11.9	52.1%	50.0%
Advice from co-workers	11.9	45.7%	50.8%
Spoke with agency/service representative	2.2	68.3%	49.8%

Notes: Distribution of funds is based on administrative records for all respondents.





Sources of Retirement Income

Retirees typically depend on multiple sources of income during retirement. TSP participants were asked to rank their top three expected sources of retirement income. In general, respondents report that they consider each “leg of the stool” but believe their Federal Government-sponsored retirement plans to be the most important (See Figures 18.1 to 18.3).

FERS members underline many different sources of retirement income (See Figure 18.1). The TSP is mentioned by nearly one in four FERS members as being the primary income source in retirement. In fact, more than 67 percent of FERS members identify the TSP account as an important retirement resource, which is twice as high as the ranking given to the FERS annuity plan. FERS members also view Social Security as a critical source of future retirement income.

It is not at all surprising that members of the CSRS and the uniformed services identify their respective annuity-based pensions most often as critical sources of future retirement income (See Figures 18.2 & 18.3). The CSRS annuity plan is mentioned by nearly three in four CSRS members as the most important source of future retirement income and in total, it is mentioned by nearly four in five as being among the top three sources.

Fig. 18.1 Top 3 Most Important Sources of Future Retirement Income for FERS Members
Q7. Rank your TOP 3 most important expected sources of retirement income.

	Ranking of Sources			% Mentioned
	1st	2nd	3rd	
TSP account	23.4%	25.7%	18.0%	67.1%
Social Security	13.1	22.3	27.5	62.9
FERS/CSRS annuity	12.1	11.1	10.4	33.6
Military pension	11.5	4.3	2.4	18.2
Income from work	10.4	5.7	7.5	23.6
Personal savings (e.g. IRA)	9.9	13.0	12.4	35.4
Other retirement plan (non-gov't)	7.9	6.3	5.6	19.8
Home Equity	4.5	4.4	7.2	16.1

Notes: Based on FERS respondents.

While nearly as many uniformed service members identify their military pension as critical (73 percent), only 40 percent highlight it as their top choice. Both CSRS





members and those in the Uniformed Services identify the TSP as a very important supplementary source of future income. Compared to other sources of retirement income, it is the second most mentioned income source for both.

Fig. 18.2 Top 3 Most Important Sources of Future Retirement Income for CSRS Members
 Q7. Rank your TOP 3 most important expected sources of retirement income.

	Ranking of Sources			% Mentioned
	1st	2nd	3rd	
FERS/CSRS annuity	72.4%	4.7%	0.7%	77.8%
Income from work	9.7	6.5	6.6	22.8
Home Equity	2.1	4.5	9.7	16.3
Other retirement plan (non-gov't)	2.1	3.8	3.5	9.4
Personal savings (e.g. IRA)	1.7	18.5	21.4	41.5
Social Security	1.3	10.0	11.8	23.0
Military pension	1.2	3.9	0.7	5.7
TSP account	1.1	38.6	30.2	69.8

Notes: Based on CSRS respondents.

Fig. 18.3 Top 3 Most Important Sources of Future Retirement Income for Uniformed Service Members

Q7. Rank your TOP 3 most important expected sources of retirement income.

	Ranking of Sources			% Mentioned
	1st	2nd	3rd	
Military pension	40.3%	21.9%	11.7%	73.8%
Other retirement plan (non-gov't)	15.7	9.7	5.9	31.3
Personal savings (e.g. IRA)	11.7	21.0	13.7	46.4
Income from work	9.9	7.0	5.6	22.4
FERS/CSRS annuity	6.1	3.2	2.2	11.5
TSP account	5.6	16.4	25.4	47.4
Social Security	3.1	12.3	23.7	39.0
Home Equity	2.1	3.0	5.3	10.4

Notes: Based on Uniformed Service respondents.

When combined into a single table, the relative importance of annuity plans and the TSP as a future source of retirement income to Federal workers and uniformed service members becomes even more apparent (See Figure 19). It is quite clear that the Federal workers and service members heavily rely on the Federal government's retirement program for a secure retirement. While not mentioned as often, personal savings and Social Security are also viewed as critical to a secure retirement. Finally, nearly a quarter of all Federal workers and uniformed service members expect to receive retirement income from work and this is consistent across respondents from the different retirement systems.





Fig. 19. Sources of Future Retirement Income Mentioned as Top 3 Most Important by Retirement System

Q7. Rank your TOP 3 most important expected sources of retirement income.

	All	FERS	CSRS	Uniformed Services
TSP account	59.5%	67.1%	69.8%	47.4%
Personal savings (e.g. IRA)	41.9	35.4	41.5	46.4
Social Security	40.9	62.9	23.0	39.0
Military pension	38.1	18.2	5.7	73.8
FERS/CSRS annuity	37.4	33.6	77.8	11.5
Income from work	22.8	23.6	22.8	22.4
Other retirement plan (non-gov't)	21.6	19.8	9.4	31.3
Home Equity	13.7	16.1	16.3	10.4

Notes: Based on all respondents.

FERS members respond quite differently from CSRS and uniformed service members to the questions regarding sources of future retirement income. The retirement package provided to FERS members closely resembles those offered by large private sector organizations, with more balance between employer-directed plans and self-directed accounts. The Watson Wyatt Retirement Attitude Survey (WWRAS—2004) asked over 8,000 employees from nearly 1,000 large private sector organizations to identify their most important source of future retirement income. In general, survey responses from FERS members closely parallel those made by WWRAS respondents. About an equal percentage identify the annuity plans and the self-directed account plan as their most important source of future retirement income (See Figure 20).

Fig. 20. Most Important Source of Future Retirement Income

Q7. Rank your TOP 3 most important expected sources of retirement income.

	TSP Survey			WWRAS*
	FERS	CSRS	Uniformed Services	Overall
FERS/CSRS annuity	12.1%	72.4%	6.1%	25.6%
Military pension	11.5	1.2	40.3	
TSP account	23.4	1.1	5.6	28.3
Social Security	13.1	1.3	3.1	18.8
Personal savings (e.g., IRA)	9.9	1.7	11.7	13.7
Income from work	10.4	9.7	9.9	5.7

Notes: Based on all respondents. N=3467

*Source: Watson Wyatt Retirement Attitude Survey (2004)





Retirement Goals and Expectations

Financial planners often recommend that workers strive for retirement income of at least 70 percent of their pre-retirement earnings. Many respondents report expectations that align very closely with this conventional wisdom. In fact, over one third of survey participants believe they will need more than 80 percent of their annual income in order to live comfortably in retirement (See Figure 21.1 & 21.2). This belief varies by retirement system, with CSRS employees generally reporting that they need a lower percentage of their working income in retirement. When results from this survey are matched to the WWRAS, Federal workers and members of the Uniformed Services provide very similar responses to those of private sector employees who are covered by both defined benefit and defined contribution plans.

Fig. 21.1 Percentage of Pre-Retirement Income Required to Live Comfortably in Retirement

Q5. *Approximately what percentage of your annual pre-retirement pay do you think you need to live comfortably when you retire?*

	TSP Survey				WWRAS*
	All	FERS	CSRS	Uniformed Services	Covered by DB & DC
Less than 40%	1.9%	1.9%	1.3%	2.3%	1%
40 to 59%	15.4	15.6%	14.1%	16.2%	15%
60 to 79%	36.4	29.9%	40.3%	37.9%	35%
80 to 99%	22.4	21.1%	23.8%	22.4%	25%
100%+	13.4	17.9%	10.3%	12.6%	16%
Don't Know	10.5	13.6%	10.2%	8.6%	8%

Notes: Based on all respondents.

*Source: Watson Wyatt Retirement Attitude Survey (2004)

Fig. 21.2 Percentage of Pre-Retirement Income Required to Live Comfortably in Retirement by Age and Pay

Q5. *Approximately what percentage of your annual pre-retirement pay do you think you need to live comfortably when you retire?*

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Less than 40%	1.5%	1.6%	2.1%	2.8%	1.9%	1.4%	1.9%
40 to 59%	14.9	12.8	17.3	16.2	15.4	15.6	15.4
60 to 79%	34.5	38.5	37.2	26.6	38.0	42.6	36.4
80 to 99%	19.3	25.8	22.7	15.8	21.5	29.1	22.4
100%+	17.9	13.2	11.7	21.7	14.2	7.7	13.4
Don't Know	12.0	8.1	9.0	16.9	9.0	3.6	10.5

Notes: Based on all respondents.





Some workers, however, may be underestimating their income needs in retirement. Overall, about 17 percent of respondents believe they can retire comfortably on less than 60 percent of their pre-retirement annual income. Of greater concern, 10 percent of respondents can not estimate how much income they would need in retirement. Taken together, more than a quarter of all surveyed workers (slightly higher for FERS members) either believe they need less than financial planners generally recommend or are unable to estimate their income needs.

One question that remains hotly debated by academics and practitioners is whether the 70 percent pre-retirement income target will be sufficient given the imminent costs that will be borne by the America's retirement system as the Baby Boom Generation begins retiring. Results from EBRI's 2006 Retirement Confidence Survey show that over 50 percent of retirees believe they needed about the same or more than their pre-retirement income, which is significantly higher than current expectations of the Federal workforce and the Uniformed Services.⁷ It is very important for workers to set realistic expectations about their retirement income needs so they are not overly complacent about saving for retirement throughout their career.

For workers born in 1960 or later, normal retirement age under Social Security is 67. However, many Federal workers plan to retire much sooner. Thirty-six percent of TSP members anticipate retiring by age 60, which is 5 percentage points higher than private sector employees covered by both a company-sponsored defined benefit and a defined contribution plan (See Figure 22.1 & 22.2) reported. More than two out of five (42 percent) CSRS members plan to enter full retirement in their fifties compared to one in four (26 percent) FERS members. This means that the average CSRS member anticipates a retirement period of more than 20 years; a significant share of CSRS members, in fact, expect a retirement period approaching 25 years.

⁷ See Ruth Helman, Mathew Greenwald & Associates, Craig Copeland, and Jack VanDerhei, 2006. "Will More of Us Be Working Forever? The 2006 Retirement Confidence Survey," EBRI Issue Brief No. 292, April.





Fig. 22.1 Planned Retirement Age by Retirement System

Q8. At what age do you plan to retire from all full-time employment?

	TSP Survey				WWRAS*
	Overall	FERS	CSRS	Uniformed Services	Covered by DB & DC
Younger than 55	5.8%	4.4%	2.4%	8.7%	6%
55 to 59	28.1	20.3	38.8	26.8	25%
60 to 61	13.6	10.4	13.3	15.7	15%
62 to 64	17.0	19.8	19.1	14.0	18%
65	13.0	14.7	9.3	14.0	22%
66 or older	22.5	30.4	17.1	20.8	13%

Notes: Excludes respondents who self-report as being already retired or Don't Know. N=2801

*Source: Watson Wyatt Retirement Attitude Survey (2004)

Fig. 22.2 Planned Retirement Age by Age and Pay

Q8. At what age do you plan to retire from all full-time employment?

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Younger than 55	12.6%	6.6%	1.5%	8.1%	5.7%	4.7%	5.8%
55 to 59	33.2	35.1	20.8	23.0	30.6	28.0	28.1
60 to 61	15.1	13.0	13.2	12.2	14.3	13.4	13.6
62 to 64	9.1	15.9	22.2	14.5	16.7	18.6	17.0
65	13.5	12.4	13.2	14.1	12.3	12.9	13.0
66 or older	16.5	17.1	29.2	28.1	20.4	22.4	22.5

Notes: Excludes respondents who self-report as being already retired or Don't Know

For those who plan to retire younger – before age 60 – there appears to be a strong connection to the size of their account balance. For respondents in their forties, nearly three out of five respondents with a TSP account balance over \$50,000 plan to retire before age 60, while only a third with smaller account balances (under \$25,000) see themselves exiting the workforce at that age (See Figure 23.1 & 23.2). Many respondents with low TSP account balances anticipate retiring much later with nearly 37 percent planning to retire at age 65 or older.

Fig. 23.1. Planned Retirement Age for Workers in their Forties

	TSP Account Balance				
	Less than \$5K	\$5K to \$25K	\$25K to \$50K	\$50K to \$100K	\$100K and Over
N=1,114					
Before 60	34.3%	38.0%	48.2%	55.5%	61.9%
Between 60 & 65	30.0	32.8	26.2	27.4	25.0
65 and Older	35.8	29.2	25.7	17.1	13.1

Notes: Excludes respondents who self-report as being already retired and Don't Know.





Fig. 23.2 Planned Retirement Age for Workers in their Fifties

	TSP Account Balance				
	Less than \$5K	\$5K to \$25K	\$25K to \$50K	\$50K to \$100K	\$100K and Over
<i>N=1,160</i>					
Before 60	18.5%	31.7%	35.8%	46.7%	40.4%
Between 60 & 65	34.7%	37.5%	37.3%	35.5%	49.3%
65 and Older	46.8%	30.8%	26.9%	17.8%	10.3%

Notes: Excludes respondents who self-report as being already retired and Don't Know.

Working during retirement is a growing trend in the U.S. labor market. With the aging of the workforce and the potential for skills shortages with the retiring of the Baby Boom Generation, older workers have become a new value proposition for U.S. companies. In fact, America's largest corporations have developed formal programs such as phased retirement and flexible work arrangements – to appeal to an aging workforce and encourage longer working lives.

Federal employees and those in the Uniformed Services indicate a somewhat modest appetite for working after retiring from the Federal government. Less than one third of respondents indicate a strong interest in working following retirement while another third indicate they are somewhat likely to work post-retirement. The final one third is indifferent or indicates that they were unlikely to work after retiring from the Federal government.

Fig. 24.1 Likelihood to Work after Retiring from the Federal Government by Retirement System

Q11. Assume you continue to work for the Federal Government until you can retire. What is the likelihood that you will work for pay after you retire?

<i>N=4,078</i>	<u>FERS</u>	<u>CSRS</u>	<u>Uniformed Services</u>	<u>All</u>
Very Likely to Work	25.3%	27.2%	35.0%	29.9%
Somewhat Likely to Work	35.8%	31.6%	34.7%	34.7%
Less Likely to Work	38.9%	41.3%	30.3%	35.8%

Notes: Includes Actives only. *Very Likely to Work* includes those who respond "Very Likely" to work (1 out of 5) after retiring for the Federal Government. *Somewhat Likely to Work* includes those who respond "Somewhat Likely" to work (2 out of 5). *Less Likely to Work* includes those who respond "Neither Likely Nor Unlikely", "Somewhat Unlikely" or "Very Unlikely" to work (3, 4, or 5 out of 5).





For near retirees, expectations about working after retirement appear to be influenced by the amount of funds in their TSP accounts. However, this is not the case for workers over a decade from retirement (see Figure 24.2). On average, workers who are less likely to work after retiring have nearly \$20,000 more in their TSP accounts than those who indicate a strong likelihood of working later in life. This finding may reflect both the need to work for financial reasons, as well as a desire to remain active. The difference in the average TSP account balances is likely not sufficient to make a significant difference in filling the income needs in retirement. It is unclear whether those with higher TSP account balances also have higher savings elsewhere.

Fig. 24.2 TSP Account Balances by Participant Age and Likelihood to Work after Retiring from the Federal Government

Q11. Assume you continue to work for the Federal Government until you can retire. What is the likelihood that you will work for pay after you retire?

		<u>Age Group</u>			<u>All</u>
		<u><40</u>	<u>40s</u>	<u>50+</u>	
<i>N=4,078</i>					
Very Likely to Work	30.0%	\$9,990	\$37,110	\$45,598	\$34,390
Somewhat Likely to Work	34.2%	\$8,567	\$33,879	\$48,469	\$31,691
Less Likely to Work	35.8%	\$12,152	\$29,274	\$61,743	\$42,345
All		\$10,056	\$33,264	\$52,859	\$36,302

Notes: Includes Actives only. *Very Likely to Work* includes those who respond "Very Likely" to work (1 out of 5) after retiring for the Federal Government. *Somewhat Likely to Work* includes those who respond "Somewhat Likely" to work (2 out of 5). *Less Likely to Work* includes those who respond "Neither Likely Nor Unlikely", "Somewhat Unlikely" or "Very Unlikely" to work (3, 4, or 5 out of 5).

Conclusion on TSP Benefits and Services

Overall, participants are highly satisfied with the TSP. Eighty-five percent of respondents gave the TSP a favorable rating when asked about their overall satisfaction with the plan. Members are highly satisfied with the ease of making changes in their investment allocations and contribution percentage. Members are also generally satisfied with the information available to them about the TSP especially that which is available through the TSP Web site. In general, TSP participants have a more conservative investment approach than is typically seen in the private sector 401(k) plans. However, participants who review the TSP Web site tend to invest a greater share of their TSP funds in equities.





Participants see the TSP as a very important source of their retirement income. FERS members indicate that it is the most important, as over 7 in 10 rank it among their top three most important sources of retirement income. CSRS and uniformed services members highlight their annuity plans most often but mention the TSP as the next most important to providing a secure retirement.





Part C: Potential Changes to the TSP

Introduction

In Section C of the survey, we asked participants to respond to possible changes to the TSP services and investments that are under consideration by the FRTIB. As some participants may be unfamiliar with these issues, a “don’t know” response was offered for most questions. In addition, a significant number of participants declined to offer any response to some questions. As the number of people who select “don’t know” or skip these questions is particularly relevant in gauging TSP participants’ awareness of, and desire for, certain services or investments, we have discussed this group separately in our findings.

Automatic Enrollment

In response to recent pension reform legislation, many organizations are considering automatically enrolling new employees in their 401(k) system unless they expressly choose not to be enrolled – creating an opt-out system. The TSP program is an opt-in system. New employees or service members do not have contributions to the TSP deducted from their paycheck unless they specifically elect those deductions. Some Federal employees and uniformed service members do not contribute to the TSP. The TSP is considering automatic enrollment for new Federal employees and uniformed services members by having agencies or services automatically deduct employee contributions, unless an individual specifically chooses not to participate. Academic research shows that automatic enrollment tends to increase overall participation rates and encourages many employees to better prepare for their retirement. However, automatic enrollment can lead to contribution rates that are too low and asset allocations that are excessively concentrated in the default fund. Survey participants were asked to assess whether automatically enrolling new employees or service members is a good idea.





Overall, respondents are strongly in favor of automatic enrollment. Nearly two thirds of all respondents agree that automatic enrollment of new employees in TSP is a good idea compared to only 20 percent who disagree (See Figure 25.1-4).

Automatic enrollment is popular in all three retirement systems. In addition, there is not a large difference between the degree of support for automation by the lowest paid respondents versus the highest paid respondents (see Figure 25.3). There is also no difference in support by people in the FERS system who only have the automatic 1.1% agency contribution (see Figure 25.4).

Fig. 25.1. Automatic Enrollment of new employees or service members is a good idea... (by Retirement System)

System	Agree	Neutral	Disagree	Don't Know/No response
<i>FERS</i>	67%	10%	18%	5%
<i>CSRS</i>	67%	9%	16%	8%
<i>Uniformed Services</i>	63%	8%	24%	4%
<i>All Respondents</i>	66%	9%	20%	6%

Fig. 25.2. Automatic Enrollment of new employees or service members is a good idea... (by Age)

Age	Agree	Neutral	Disagree	Don't Know/No response
<i>< 40</i>	63%	9%	25%	3%
<i>40-49</i>	66%	8%	23%	3%
<i>50 and over</i>	68%	9%	17%	6%
<i>All Respondents</i>	66%	9%	20%	6%

Fig. 25.3. Automatic Enrollment of new employees or service members is a good idea... (by Pay)

Income	Agree	Neutral	Disagree	Don't Know/No response
<i>< \$40,000</i>	63%	10%	21%	6%
<i>\$40,000 - \$80,000</i>	65%	9%	21%	5%
<i>\$80,000 and over</i>	70%	8%	19%	3%
<i>All Respondents</i>	66%	9%	20%	6%

Fig. 25.4. Automatic Enrollment of new employees or service members is a good idea... (by Non-Participants)

Income	Agree	Neutral	Disagree	Don't Know/No response
<i>Non-participants*</i>	70%	17%	6%	8%

*Non-participants are respondents in the FERS system who only have the 1.1% agency automatic contribution – i.e. have not made any contributions themselves over the past 2 years.





Automatic Enrollment and Default Elections

Participants may choose how their TSP money is allocated across the available investment options (i.e., the G, F, C, S, I and L Funds). When participants do not make allocation choices, their contributions are automatically invested in the Government Securities (G) Fund. The G Fund earns interest and does not incur losses, but may not provide a high enough return to meet long-term retirement goals. The TSP is considering changing the default election to automatically invest these contributions in an age-appropriate Lifecycle (L) Fund, based upon the specific participant's estimated retirement date. In the Lifecycle Funds, money is allocated more heavily toward stocks for younger participants which may result in greater asset fluctuation but have higher expected returns. As retirement nears, the L Fund is invested more heavily in Government securities and bonds.

Survey respondents were asked to select which of these two fund types – the Government Securities (G) Fund or an age appropriate Lifecycle (L) Fund – should be used as a default fund for those TSP contributors who do not specify where to invest their funds. **As shown in Figure 26, almost half (49 percent) of respondents prefer the L Fund, compared to 27 percent of respondents who prefer the G Fund.** The remaining 24 percent of respondents have no preference between these two funds. These results are closely tied to attitudes regarding automatic enrollment in general. Those who agree that automatic enrollment is a good idea (nearly 70 percent of all respondents) favor the L Fund over the G Fund by 55 percent to 24 percent. For those who are neutral about automatic enrollment, a plurality are also neutral between the L and G funds as the default fund. However, this group is more likely to select the L Fund than the G Fund as the default fund. Of those who disagree with the statement that automatic enrollment is a good idea, 40 percent prefer the L Fund over the G Fund – although the difference is not statistically significant at conventional levels.





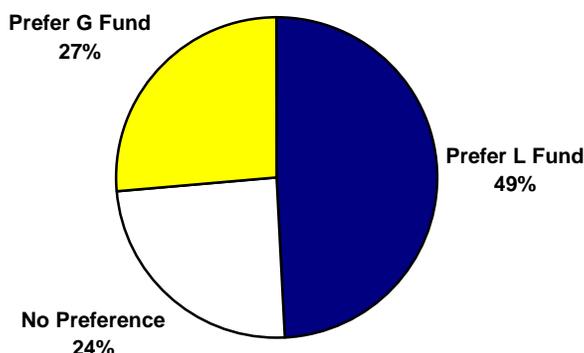
Fig. 26. Default Fund Preference both Overall and By Support for Automatic Enrollment

Default Fund	Automatic Enrollment is a good idea			Overall
	Agree	Neutral	Disagree	
<i>Prefer age-appropriate Lifecycle (L) Fund</i>	55%	34%	40%	49%
<i>No preference</i>	21%	39%	26%	24%
<i>Prefer the Government (G) Fund</i>	24%	27%	34%	27%
Total	100%	100%	100%	100%
Don't Know/No response	47	6	13	66

*Percentages are based on number of respondents who gave that answer divided by the total number of responses to that item, excluding "don't know's", "not applicable's" or no response.

Overall, respondents who express a preference between the L Fund and the G Fund as the default investment fund are twice as likely to prefer the L Fund (See Figure 27).

Fig. 27. Preference for Default Fund (All Respondents)



There is a strong relation between a respondent’s individual TSP investment strategy and their preferred default fund. Respondents were asked to describe their approach for investing the money in their TSP account on a scale ranging from very aggressive/high risk to very cautious/low risk. Their responses to this question are reflected in their preferences for the L or G Fund as the default investment fund (See Figure 28). A substantial majority of those who pursue an aggressive investment strategy with their TSP funds prefer the L Fund (63 percent) over the G Fund (18 percent) as the default fund. Respondents who report a balanced investment strategy between aggressive and cautious are twice as likely to prefer the L Fund over the G Fund—50 percent to 25 percent. However, those who describe their own investment strategy as cautious with low or no risk are slightly more likely to prefer the G Fund to the L Fund (41 percent vs. 35 percent).





Figure 28. Default Fund Preference by Respondent Investment Strategy

Investment Strategy	N	Default Fund Preference		
		Prefer G Fund	No Preference	Prefer L Fund
<i>Aggressively Moderate to High Risk</i>	1808	18%	19%	63%
<i>Balanced between Aggressive and Cautious</i>	1410	25%	25%	50%
<i>Cautious Low to No risk</i>	1278	41%	24%	35%

Preferences for the default fund differ among the individual systems (See Figure 29.1). Forty-two percent of CSRS participants prefer the L Fund as the default fund, while 54 percent of uniformed service members prefer the L Fund. The difference in preferences between the L Fund and the G Fund was highest at 29 percentage points for respondents in the Uniformed Services and lowest at 11 percentage points for those in the CSRS system. There is no retirement system where respondents are more likely to select the G Fund as the default investment fund over the L Fund.

Fig. 29.1. Default Fund Preference by Retirement System

System	N	Default Fund		
		Prefer G Fund	No Preference	Prefer L Fund
<i>FERS</i>	1349	24%	27%	49%
<i>CSRS</i>	1440	31%	26%	42%
<i>Uniformed services</i>	2090	25%	21%	54%

Fig. 29.2. Default Fund Preference by Age

Age	N	Default Fund		
		Prefer G Fund	No Preference	Prefer L Fund
<i>< 40</i>	1151	21%	24%	55%
<i>40-49</i>	1277	25%	22%	53%
<i>50 and over</i>	2417	29%	26%	45%

Fig. 29.3. Default Fund Preference by Income

Income	N	Default Fund		
		Prefer G Fund	No Preference	Prefer L Fund
<i>< \$40,000</i>	1029	29%	29%	42%
<i>\$40,000 - \$80,000</i>	2098	26%	26%	48%
<i>\$80,000 and over</i>	1604	25%	20%	56%





Fig. 29.4 Preference for L Fund vs. G Fund as the Default Option by Participation Status
 Q22. Preference for L Fund vs. G Fund as the Default Option

	N	Default Fund		
		Prefer the L Fund	Neutral	Prefer the G Fund
Non-Participants(1)	768	45.7%	29.4%	24.9%
Participants	2991	51.6%	23.4%	25.1%

Notes: (1) Includes active employees who are not currently contributing to the TSP. Participation is based on administrative records, since it reflects current contribution decisions while the survey captures whether the respondent contributed over the last two years.

Additional Investment Options and Services

There are currently five investment funds available to TSP participants– the Government (G) Fund, the Fixed Income (F) Fund, the Common Stock Index Investment (C) Fund, the Small Capitalization Stock Index (S) Fund, the International Stock Index Investment (I) Fund – as well as a group of age-appropriate Lifecycle (L) Funds. The L Funds are the most recent additions. The TSP is considering adding new funds and services, which would modestly increase the expenses that all participants pay. The new funds that are being considered may provide participants greater flexibility and opportunities for investment diversification. Furthermore, new services may aid participants in tax planning decisions. At the same time, these changes may increase the complexity of the plan. The flexibility, diversification, and tax planning benefits of the new funds and services may or may not be worth the increased expense and complexity.

TSP survey respondents were asked to consider both the positive and negative aspects of proposed changes and to indicate whether adding a Roth 401(k) – which would allow participants to have some or all of their future contributions treated differently for tax purposes - or a wider selection of investment options would make the TSP a better program. As shown in Figure 30, a majority of respondents (60%) agree that providing an option to contribute to a Roth 401(k) account would make the TSP a better program, while a plurality (46%) agree that offering a wider selection of investment options would do so.





Fig. 30. Overall Respondent Support for additional Investment Services and Options

The TSP would be a better program if it				
Item	Agree	Neutral	Disagree	Don't Know/No Answer
....provided an option to contribute to a Roth 401(k) account	60%	16%	11%	12%
.....offered a wider selection of investment options.	46%	24%	19%	12%

Adding the Roth 401(k) Option

A strong majority of respondents favor adding an option to contribute to a Roth 401(k) account to the TSP program while very few respondents disagree (60 percent favorable to 11 percent unfavorable – see Figure 31). The strongest support for adding this option is in the uniformed services system. The primary advantage of a traditional 401(k) account is to allow participants to make pre-tax contributions during working years when income and tax rates are typically higher, and to defer taxes until retirement years when expected income and tax rates will typically be lower. The Roth 401(k) plan requires making after-tax contributions but provides tax advantages in the future. For many participants in the Uniformed Services, current income and tax rates may be as low as or lower than their expected future tax rates. For someone in this position, the advantage of the Roth 401(k) is substantial. In the civilian sector the support for adding the Roth 401(k) is slightly weaker (56 percent in both the FERS and the CSRS) but still represents a significant majority of respondents. There is no system with more than 15 percent of respondents who disagree that adding an option to contribute to a Roth 401(k) account would make TSP a better program. However, there are also a significant number of people (approximately 12 percent of all respondents) who are unable or unwilling to respond to this item, suggesting a potential lack of awareness of what a Roth 401(k) option is.

Fig. 31.1. Support for adding the Roth 401(k) account by retirement system

The TSP would be a better program if it provided an option to contribute to a Roth 401(k) account.				
System	Agree	Neutral	Disagree	Don't Know/No Response
<i>FERS</i>	56%	20%	10%	14%
<i>CSRS</i>	56%	16%	13%	16%
<i>Uniformed Services</i>	66%	15%	11%	9%
<i>All Respondents</i>	60%	16%	11%	12%





Fig. 31.2. Support for adding the Roth 401(k) account by age

The TSP would be a better program if it provided an option to contribute to a Roth 401(k) account.				
Age	Agree	Neutral	Disagree	Don't Know/No Response
< 40	65%	16%	10%	10%
40-49	62%	16%	13%	9%
50 and over	58%	17%	11%	14%
All Respondents	60%	16%	11%	12%

Fig. 31.3. Support for adding the Roth 401(k) account by income – All Participants

The TSP would be a better program if it provided an option to contribute to a Roth 401(k) account.				
Income	Agree	Neutral	Disagree	Don't Know/No Response
< \$40,000	59%	18%	8%	16%
\$40,000 - \$80,000	61%	17%	11%	11%
\$80,000 and over	63%	15%	15%	8%
All Respondents	60%	16%	11%	12%

Fig. 31.4. Support for adding the Roth 401(k) account by income - Unmarried Participants

The TSP would be a better program if it provided an option to contribute to a Roth 401(k) account.					
Income	Agree	Neutral	Disagree	Don't Know /No Response	% with Roth IRA
< \$40,000	60%	18%	5%	17%	21%
\$40,000 - \$80,000	59%	17%	10%	14%	30%
\$80,000 - \$100,000	60%	16%	12%	12%	40%
\$100,000 or more	59%	12%	22%	7%	43%
All Respondents	59%	17%	10%	14%	30%

Additionally, there appears to be some disconnect between respondents preference for adding a Roth feature to the TSP and their actual usage of Roth account benefits. Roth IRA's have been in existence since 1997. A participant in the TSP, or any similar qualified retirement plan, may make Roth IRA contributions as long as their adjusted gross income (AGI) is below certain limits. The specific limits are \$95,000 for single filers and \$150,000 for joint filers. The tax benefits offered through a Roth account within the TSP would be substantially the same as those offered by the Roth IRA, except that there would not be an income limit. **While 60 percent of respondents prefer adding a Roth account to the TSP, only 32 percent have established a Roth IRA account.**





This differential may be partially explained by the income limitation imposed on the Roth IRA, but our preliminary data suggests that this is not the case for most participants. The data for unmarried participants (Figure 31.4) shows while there is no difference in the percentage of respondents who prefer having a Roth account in the TSP for those with an income less than \$80,000 – who would not be subject to income restrictions – and those with reported income of \$80,000-\$100,000, who might be and \$100,000 or more who are definitely subject to income restrictions,⁸ there are differences in the percentage who currently have one. Participants with income of \$80,000-\$100,000 or \$100,000+ are roughly two times as likely to report having a Roth IRA than participants with incomes less than \$40,000, who are more likely to be bound by liquidity constraints. This higher income group may derive some benefit from adding Roth IRA option to the TSP.

Additional Investment Options

More than twice as many respondents agree than disagree that the TSP would be a better program if it provided a wider selection of investment options (see Figures 32.1-3). This support is strongest among those in the uniformed services system – where 51 percent of respondents agree – and weakest for those in the CSRS system – where only 38 percent of respondents agree.

Fig. 32.1. Support for adding investment options by retirement system.

The TSP would be a better program if it offered a wider selection of investment options				
System	Agree	Neutral	Disagree	Don't Know/No Response
<i>FERS</i>	47%	26%	15%	12%
<i>CSRS</i>	38%	24%	22%	16%
<i>Uniformed Services</i>	51%	22%	19%	8%
<i>All Respondents</i>	46%	24%	19%	12%

⁸ Note that it is not possible to determine whether married participants are subject to income restrictions on making contributions to a Roth IRA because we do not know their total household income.





Fig. 32.2. Support for adding investment options by age.

The TSP would be a better program if it offered a wider selection of investment options				
Age	Agree	Neutral	Disagree	Don't Know/No Response
< 40	54%	23%	16%	7%
40-49	48%	24%	20%	9%
50 and over	42%	25%	20%	13%
All Respondents	46%	24%	19%	12%

Fig. 32.3. Support for adding investment options by income.

The TSP would be a better program if it offered a wider selection of investment options				
Income	Agree	Neutral	Disagree	Don't Know/No Response
< \$40,000	46%	25%	14%	14%
\$40,000 - \$80,000	46%	25%	17%	11%
\$80,000 and over	48%	22%	24%	7%
All Respondents	46%	24%	19%	12%

The proportion of respondents who believe that adding additional investment options would make the TSP a better program is strongly related to the belief that adding investment options will encourage more Federal employees or service members to become contributors to the TSP (see Figure 33). For those who agree with this statement, 75 percent agree that providing additional investment options would make TSP a better program, compared to only 35 percent of respondents who do not believe it would encourage more people to become contributors.

Fig. 33.

<i>More investment options will encourage people to become contributors to the TSP</i>	The TSP would be a better program if it offered a wider selection of investment options.			
	Agree	Neutral	Disagree	Don't Know/No Response
<i>Yes (27% of respondents)</i>	75%	14%	5%	6%
<i>No (73% of respondents)</i>	35%	27%	24%	14%
<i>All Respondents</i>	46%	24%	19%	12%

Very few people (only 27 percent of respondents) believe that providing additional investment options will encourage more Federal employees or service members to become contributors to the TSP. This is consistent with the fact that only 5 percent of survey respondents who are active employees and not contributing to the TSP cite not





being satisfied with the investment options as a reason they do not contribute to the TSP. Academic research shows that extensive choice may hinder participation rates in 401(k) plans (see: **How Much Choice is Too Much?: Contributions to 401(k) Retirement Plans** by Sheena S. Iyengar, Wei Jiang, and Gur Huberman).

Adding Specific Investment Options

If the FRTIB decides to provide additional investment options in the TSP, it must determine what type of fund to offer. Many possible funds could be added to the TSP investment options, each with its own investment characteristics. In addition, each new fund will have its own cost, which may also be a factor in whether TSP participants want to invest in that specific fund. Currently, individual funds in the TSP cost participants about \$3 a year for every \$10,000 they have in their accounts. If new funds are added to the TSP, they might have expenses that are significantly higher than this. Of course, the annual expenses of any new fund would be assessed only to participants who invested money in that fund.

Survey respondents were asked to indicate the cost level, in comparison to current TSP funds, at which they believe adding each of the investment options would be beneficial for most TSP participants. Many respondents were either unable or unwilling to answer these questions. The number of respondents who did not answer or responded with “don’t know” was significantly higher on these items than for other items within the survey, ranging from 26 to 33 percent of respondents (see Figure 34). This high proportion of “don’t knows” is likely to be the result of a combination of the complexity and length of the items as well as a perceived lack of adequate information to accurately assess the value of providing these types of funds. The figures that follow report the percentage of individuals who provided a particular answer to an item, such as to add the item even if it costs more, as a percentage of those who responded to the item, excluding those who responded “don’t know”. As a result, these percentages will be higher than the





proportion of TSP participants who would be interested in investing in that fund if it is added, unless this is accompanied by an intensive education program about the fund.

While TSP participants believe that providing additional investment options would make the TSP a better program, when it comes to adding specific funds, respondents are price sensitive. **None of the additional options that participants were asked to rate has a majority of respondents who are willing to add the fund if the costs are higher than current TSP funds.** Most respondents indicate that most funds should be added only if the costs for the new funds are about the same as the cost of current TSP funds (see Figure 34). In most cases the percentage of respondents who do not want to add the fund regardless of the cost is roughly equal to the percentage of respondents who are willing to add the fund even if the costs are higher than the costs of current TSP funds.

One factor that impacts how price sensitive respondents are to adding any specific fund is their attitude about adding new investment options. Respondents who disagree that adding wider investment options will make the TSP a better program are also more likely to report that specific investment options should not be added regardless of their costs. Respondents who agree that the TSP would be a better program if it added more investment options are more likely to believe specific options should be added even if they have higher costs than current ones.





Fig. 34.1 New Investment Options for the TSP

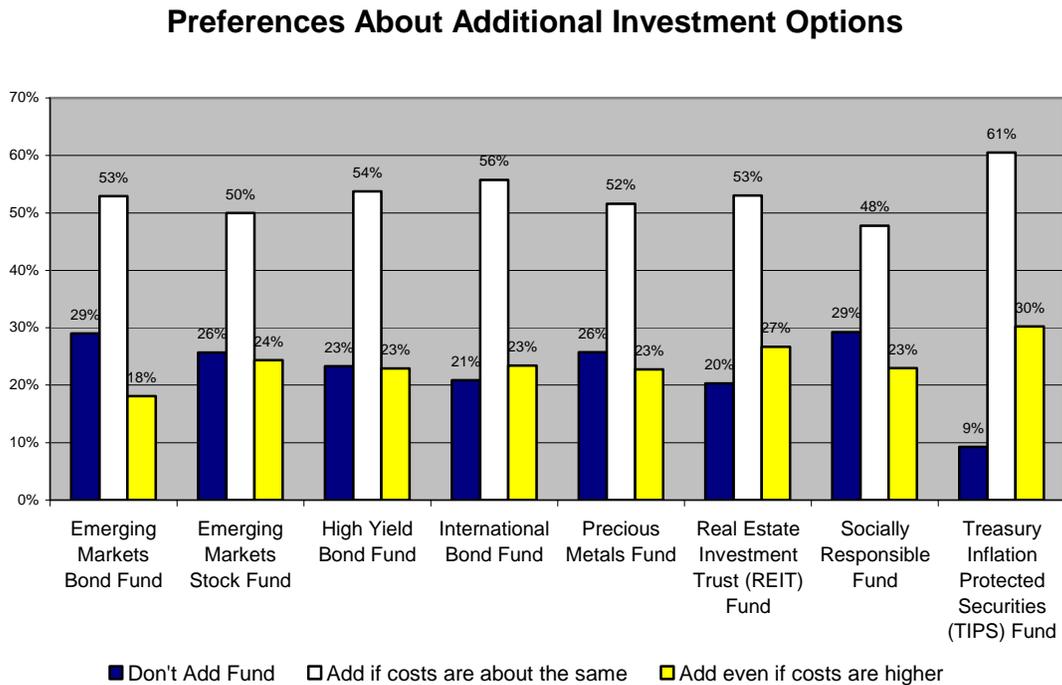


Fig 34.2 New Investment Options for the TSP: % of non-respondents by Fund Type

Fund Type	% of don't knows or no response
<i>Emerging Markets Bond Fund</i>	33%
<i>Emerging Markets Stock Fund</i>	31%
<i>High Yield Bond Fund</i>	30%
<i>International Bond Fund</i>	30%
<i>Precious Metals Fund</i>	30%
<i>Real Estate Investment Trust (REIT) Fund</i>	30%
<i>Socially Responsible Fund</i>	31%
<i>Treasury Inflation Protected Securities (TIPS) Fund</i>	26%

As shown in Figure 35.1, respondents who disagree that offering a wider selection of investments will make the TSP a better program are at least 3 times more likely to not want to add a fund regardless of cost than they are to want to add a fund, even if the costs are higher. This finding is consistent for every fund except the TIPS Fund. Between 40 percent and 53 percent of respondents who do not believe adding a wider selection of funds will make the TSP a better program believe that every fund, other than the TIPS Fund, should not be added, regardless of cost. In addition, almost 30 percent of





respondents said that the TSP should not add an Emerging Markets Bond Fund or a Socially Responsible Fund. In both cases, this was significantly more than the percentage of respondents who would support adding the fund regardless of cost. These individuals are generally inclined to oppose adding any new funds – perhaps believing that the additional complexity would offset any improvements of having more choices. However, in most cases these respondents are willing to add specific funds if their costs are about the same as existing TSP funds.

Fig. 35 Preferences toward specific investment options by attitudes about offering wider investment options

Fund	The TSP would be a better program if it offered a wider selection of investment options.								
	Disagree			Neutral			Agree		
	Don't add Fund	Add if costs are same	Add even if costs are higher	Don't add Fund	Add if costs are same	Add even if costs are higher	Don't add Fund	Add if costs are same	Add even if costs are higher
<i>Emerging Markets Bond Fund</i>	53%	39%	8%	25%	59%	16%	19%	57%	24%
<i>Emerging Markets Stock Fund</i>	48%	40%	13%	23%	57%	21%	17%	52%	32%
<i>High Yield Bond Fund</i>	45%	44%	11%	20%	60%	21%	15%	56%	30%
<i>International Bond Fund</i>	41%	48%	11%	16%	62%	21%	14%	56%	30%
<i>Precious Metals Fund</i>	48%	41%	11%	22%	58%	20%	17%	54%	30%
<i>Real Estate Investment Trust (REIT) Fund</i>	40%	47%	13%	20%	59%	21%	12%	53%	36%
<i>Socially Responsible Fund</i>	46%	39%	15%	26%	53%	21%	23%	49%	28%
<i>Treasury Inflation Protected Securities (TIPS) Fund</i>	18%	61%	21%	6%	64%	30%	7%	59%	34%

*Percentages are based on number of respondents who gave that answer divided by the total number of responses to that item, excluding "don't know's", "not applicable's" or no response.

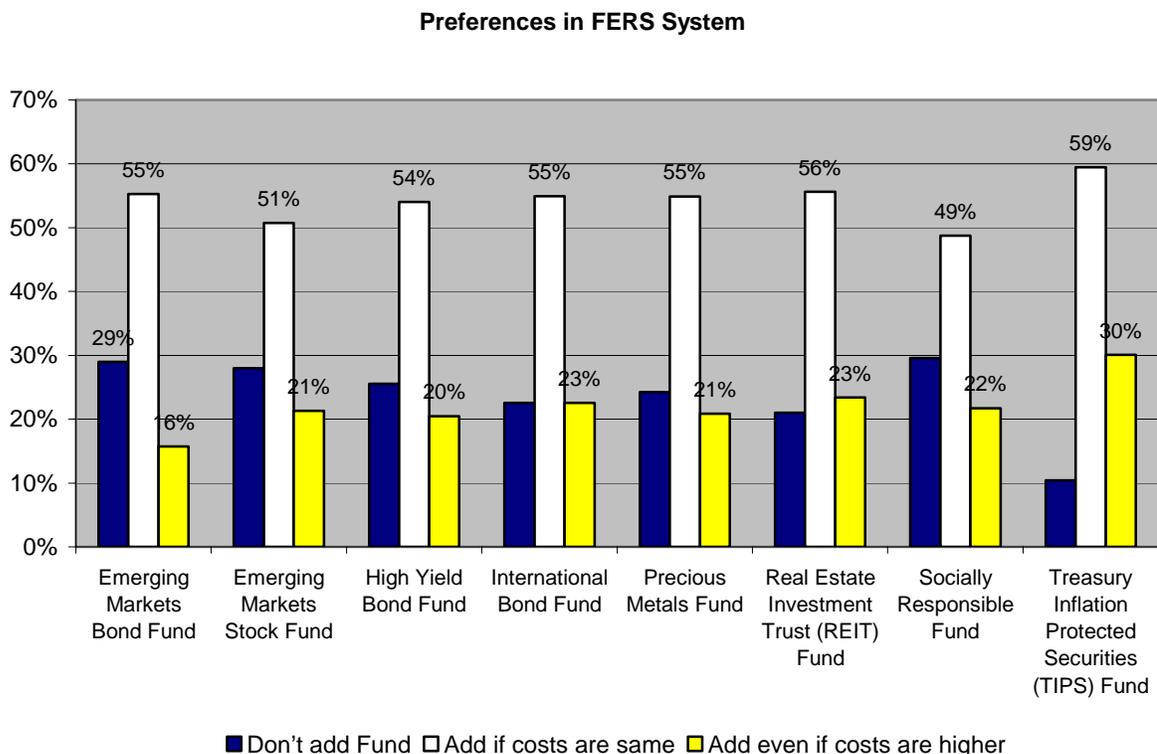
Respondents who believe the TSP will be a better program if it offers a wider selection of investment options may be the core constituency for new funds. These are the people who are most likely to be receptive to adding new funds and may be more likely to invest in the funds if they are added. These respondents are more likely to support adding each new fund even if the costs are higher than to say not to add the fund, regardless of cost,





for every fund. (This preference is not statistically significant for either the Emerging Markets Bond Fund or the Socially Responsible Fund.) Respondents who say that adding a wider selection of investment options will make the TSP a better program express the strongest support for the TIPS Fund.

Fig. 36.1 Preferences About Individual Investment Options by Retirement System



CSRS and uniformed services participants have significantly different attitudes on whether adding a wider selection of investment options will make the TSP a better program. We would expect to see these differences reflected in the attitudes regarding which funds to add, if any. There is no fund which even 30 percent of respondents from the CSRS would add if it costs more than existing TSP funds (see Figures 36.1-36.4). The TIPS Fund is also the only fund which members of the CSRS system are more likely to support adding even if its costs are higher than the costs of current TSP funds than they are to say not to add it, regardless of the cost. Participants in the FERS system have





attitudes similar to those in the CSRS, although they are generally less opposed to adding specific new funds overall.

Compared to employees in the FERS or CSRS systems, participants in the Uniformed Services are generally more likely to say to add specific investment funds even if they cost more than existing TSP funds. For people in the Uniformed Services, these gaps are strongest for the TIPS and the REIT funds, but are also positive for the International Bond Fund and Precious Metals Fund.

Fig. 36.2

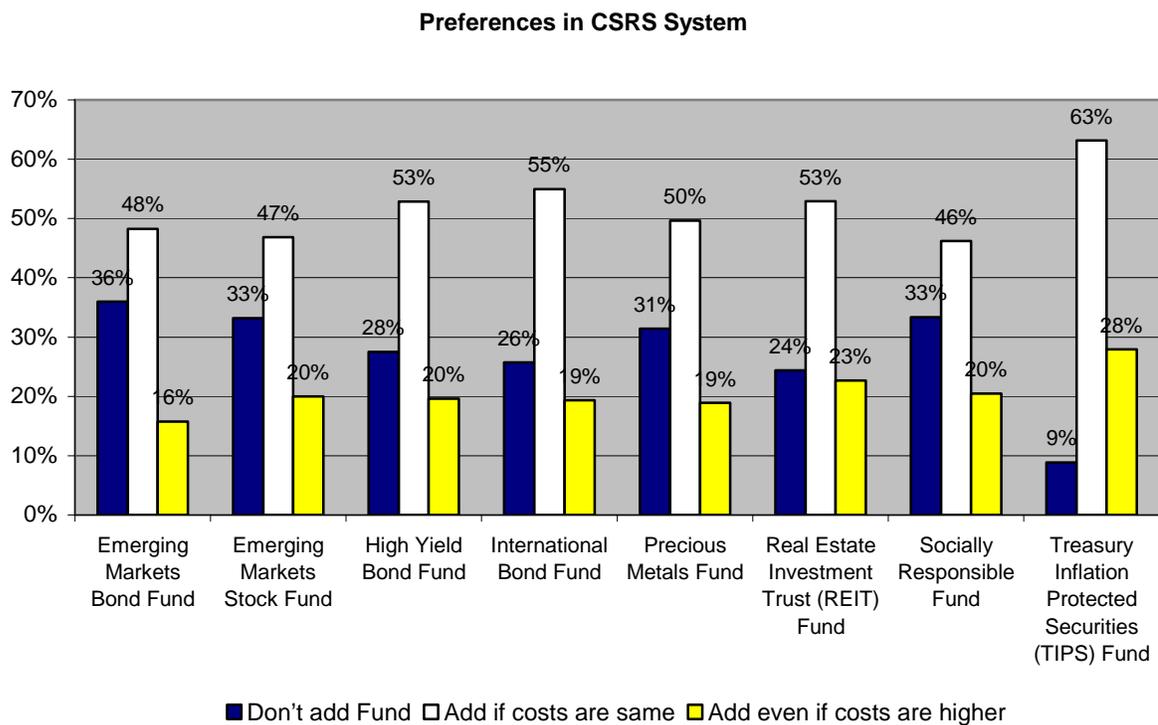




Fig. 36.3.

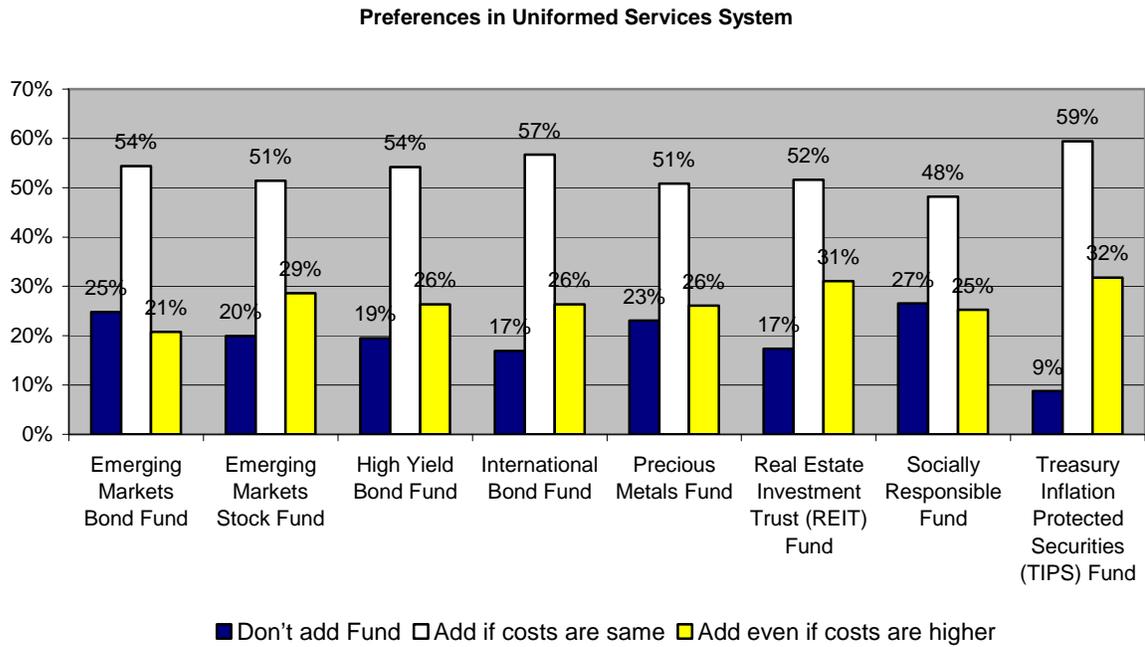


Fig. 36.4. Preferences toward specific investment options by attitudes about offering wider investment options: % of non-responses by Retirement System

Fund	FERS	CSRS	Uniformed Services
<i>Emerging Markets Bond Fund</i>	37%	37%	26%
<i>Emerging Markets Stock Fund</i>	36%	37%	25%
<i>High Yield Bond Fund</i>	34%	34%	24%
<i>International Bond Fund</i>	34%	35%	25%
<i>Precious Metals Fund</i>	34%	34%	25%
<i>Real Estate Investment Trust (REIT) Fund</i>	34%	33%	24%
<i>Socially Responsible Fund</i>	35%	35%	25%
<i>Treasury Inflation Protected Securities (TIPS) Fund</i>	30%	28%	22%





Fig. 37.1
Preferences toward specific investment options by Age

Fund	Age								
	Less than 40			40-49			50 and older		
	<i>Don't add Fund</i>	<i>Add if costs are same</i>	<i>Add even if costs are higher</i>	<i>Don't add Fund</i>	<i>Add if costs are same</i>	<i>Add even if costs are higher</i>	<i>Don't add Fund</i>	<i>Add if costs are same</i>	<i>Add even if costs are higher</i>
<i>Emerging Markets Bond Fund</i>	23%	54%	23%	29%	54%	17%	32%	51%	17%
<i>Emerging Markets Stock Fund</i>	20%	48%	32%	24%	52%	25%	29%	50%	21%
<i>High Yield Bond Fund</i>	19%	51%	29%	23%	56%	21%	26%	53%	21%
<i>International Bond Fund</i>	17%	52%	31%	19%	58%	23%	24%	56%	20%
<i>Precious Metals Fund</i>	16%	51%	32%	26%	53%	21%	30%	51%	19%
<i>Real Estate Investment Trust (REIT) Fund</i>	17%	49%	35%	21%	54%	25%	22%	54%	24%
<i>Socially Responsible Fund</i>	25%	46%	29%	29%	50%	21%	31%	48%	21%
<i>Treasury Inflation Protected Securities (TIPS) Fund</i>	9%	55%	36%	10%	61%	29%	9%	63%	28%

*Percentages are based on number of respondents who gave that answer divided by the total number of responses to that item, excluding "don't know's", "not applicable's" or no response.

Fig. 37.2
Preferences toward specific investment options by attitudes about offering wider investment options: % of non-responses by Age

Fund	Age		
	<i>Less than 40</i>	<i>40-49</i>	<i>50 and older</i>
<i>Emerging Markets Bond Fund</i>	33%	28%	33%
<i>Emerging Markets Stock Fund</i>	31%	27%	32%
<i>High Yield Bond Fund</i>	30%	26%	30%
<i>International Bond Fund</i>	31%	26%	31%
<i>Precious Metals Fund</i>	31%	26%	30%
<i>Real Estate Investment Trust (REIT) Fund</i>	30%	26%	29%
<i>Socially Responsible Fund</i>	29%	27%	31%
<i>Treasury Inflation Protected Securities (TIPS) Fund</i>	28%	23%	25%





Fig. 37.3
Preferences toward specific investment options by Income

Fund	Income								
	Less than \$40,000			\$40,000 - \$80,000			\$80,000 or more		
	<i>Don't add Fund</i>	<i>Add if costs are same</i>	<i>Add even if costs are higher</i>	<i>Don't add Fund</i>	<i>Add if costs are same</i>	<i>Add even if costs are higher</i>	<i>Don't add Fund</i>	<i>Add if costs are same</i>	<i>Add even if costs are higher</i>
<i>Emerging Markets Bond Fund</i>	32%	53%	16%	29%	54%	16%	27%	52%	21%
<i>Emerging Markets Stock Fund</i>	29%	53%	18%	27%	51%	22%	22%	48%	30%
<i>High Yield Bond Fund</i>	25%	54%	21%	23%	55%	21%	22%	52%	26%
<i>International Bond Fund</i>	23%	56%	22%	21%	57%	22%	19%	55%	25%
<i>Precious Metals Fund</i>	24%	55%	21%	23%	54%	23%	30%	47%	23%
<i>Real Estate Investment Trust (REIT) Fund</i>	22%	55%	23%	20%	55%	25%	19%	50%	31%
<i>Socially Responsible Fund</i>	27%	49%	24%	28%	49%	23%	32%	45%	23%
<i>Treasury Inflation Protected Securities (TIPS) Fund</i>	9%	59%	32%	9%	61%	30%	9%	61%	30%

*Percentages are based on number of respondents who gave that answer divided by the total number of responses to that item, excluding "don't know's", "not applicable's" or no response.

Fig. 37.4.
Preferences toward specific investment options by attitudes about offering wider investment options: % of non-responses by Income

Fund	Income		
	<i>Less than \$40,000</i>	<i>\$40,000 - \$80,000</i>	<i>\$80,000 or more</i>
<i>Emerging Markets Bond Fund</i>	43%	33%	22%
<i>Emerging Markets Stock Fund</i>	41%	32%	21%
<i>High Yield Bond Fund</i>	40%	30%	20%
<i>International Bond Fund</i>	40%	31%	20%
<i>Precious Metals Fund</i>	39%	30%	21%
<i>Real Estate Investment Trust (REIT) Fund</i>	38%	31%	19%
<i>Socially Responsible Fund</i>	39%	32%	20%
<i>Treasury Inflation Protected Securities (TIPS) Fund</i>	34%	27%	17%

If the FRTIB decides to add a new fund this may lead to other changes that might affect participants' attitudes about the benefit of adding these funds. Survey participants were





told that adding new funds may require the TSP to establish restrictions on the number of interfund transfers participants can make and/or the amount participants can invest in some funds and asked to evaluate the impact of these potential restrictions on whether they believe adding funds will benefit TSP participants. Among participants who agree that offering a wider selection of investment options would make the TSP a better program, only 28 percent of respondents would not change their opinion if restrictions were required, while 14 percent would definitely change their mind and a plurality might depending on how the restrictions were imposed (see Figure 38). Amongst those who disagreed that adding investment options would make the TSP a better program, only 21 percent would change their opinion if restrictions were required, compared to a total of 42 percent who do not think new funds should be added or who would not change their opinion.

Fig. 38. Impact of Potential Restrictions on Participant Attitudes toward offering a wider selection of Investment Options

Would adding funds still benefit TSP participants if restrictions were required?	The TSP would be a better program if it offered a wider selection of investment options.		
	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>
<i>I don't think any new funds should be added.</i>	22%	6%	3%
<i>New restrictions <u>would not</u> change my opinion.</i>	20%	20%	28%
<i>New restrictions <u>would</u> change my opinion.</i>	21%	15%	14%
<i>It depends on how the specific restrictions would be imposed.</i>	29%	36%	43%
<i>I don't know.</i>	7%	23%	12%
Total	100%	100%	100%

Conclusion on Potential Changes to the TSP

Respondents strongly believe that automatic enrollment of new employees is a good idea. Since overall satisfaction with the TSP is very high at 85 percent, respondents may favor automatic enrollment because it will encourage people to achieve a desirable outcome—participation in a highly valued retirement system. These findings indicate support for





changing the system to include automatic enrollment with an “opt-out” provision from its current opt-in form.

The evidence from survey participants shows support for adding new investment options and services to the TSP. A significant majority of respondents – 60 percent – think the TSP would be a better program if it offered a Roth 401(k) option. Support for adding this service is strongest in the Uniformed Services but a significant majority agrees across all three systems.

A plurality (46%) of the respondents agree that the TSP will be a better program if it offers a wider selection of investment options, compared to 19 percent of respondents who disagree and over 12 percent don’t know or did not respond. When asked to evaluate specific fund types that might be added, between one fourth and one third of respondents don’t know or did not respond. Among those who did respond, the consensus among survey participants is that any fund with costs about the same as the costs of the funds currently in the TSP (roughly \$3 per \$10,000 in asset balance per year) can be added. There are no funds where a majority of respondents said not to add the fund, regardless of the cost or to add it if it costs more than current funds do. A majority of respondents believe that the TSP program would be better if it offered a wider variety of investment options provided whatever new options are added cost about the same as existing TSP funds. This support is likely to be reduced if adding new funds requires adding restrictions to the number of interfund transfers or the amount participants can invest in some funds.

In Summary

Federal workers and uniformed service members who participate in the TSP have a high level of satisfaction with the TSP plan, as indicated by their responses in the survey. They believe it will be an important vehicle for their financial security in their retirement. Their feedback to the survey provides key insight into participants’ views about what they think about the plan’s current features and services, as well as the kinds of features and services they may or may not want to add to the plan.





For instance, they believe the plan can be improved by automatically enrolling new Federal workers and service members and by adding a Roth 401(k) option. Participants value the TSP information they receive and their access to this information. When participants make use of this information, beneficial behavior results.

Having completed two phases of data collection slated, the findings have stayed consistent from the first phase to the second, with acceptable significance levels for conclusions observed between the main retirement systems.





Appendix A: Survey Instrument





Thrift Savings Plan Participant Survey 2006 / 2007

March 1, 2007

Dear TSP Participant:

I am pleased to inform you that you have been randomly selected to complete a confidential survey regarding the Thrift Savings Plan (TSP). By sharing your thoughts and impressions in this survey, you will directly contribute to our efforts to continually improve the TSP.

This survey has been developed by an independent consulting firm in partnership with the Federal Retirement Thrift Investment Board. Your feedback will allow us to measure participant satisfaction with TSP plan features, services, and communications. By improving our understanding of why participants join the TSP and make contributions, you will help us identify ways to increase TSP participation. The survey will also identify participant interest in new services and investment options.

Please complete the survey and mail it in the enclosed pre-paid envelope by March 26, 2007. We are eager to receive your feedback and study participants' impressions of the TSP. Your feedback is extremely valuable. I therefore encourage you to complete the survey with others in your family or anyone else who helps you with your retirement decisions. Please be assured that your individual responses to the survey will be kept strictly confidential. All responses will be collected and held in confidence by our independent consultant, Watson Wyatt Worldwide.

On behalf of all TSP participants who will benefit from this survey, I thank you in advance for your efforts.

Very truly yours,

Thomas K. Emswiler
Executive Director (Acting)
Federal Retirement Thrift Investment Board

PRIVACY ACT NOTICE

The Federal Retirement Thrift Investment Board is authorized to solicit this information under Section 8474 of the Federal Employees Retirement System Act (Public Law 99-335). Your individual responses to the survey will be kept strictly confidential. Our staff and consultants will use the information to prepare summary statistical reports of all responses received. This information will help us improve our TSP communications and services, and may lead to the introduction of new TSP features. Furnishing this information is voluntary. Although we need your help and urge you to respond, if you do not do so, it will have no effect on you.

Continued on next page...

INSTRUCTIONS

Some tips to keep in mind as you complete the survey:

- Answer the questions based on how you personally feel, not on how you think others may feel.
- If you do not have an opinion on an item or it does not apply to you, select the "Don't Know / Not Applicable" response.
- There is a set of responses for most questions in the survey. To answer any question, simply mark the response that corresponds to your answer for that question. **Please use a black ballpoint pen.**

Correct Mark Incorrect Marks

- If you make a mistake, please put a line through it and mark the correct response.



Part A: Please answer the following questions regarding your retirement savings and your contributions to the Thrift Savings Plan (TSP).

1. In the past two years, have you contributed to the TSP?

- Yes
- No

2. What percentage of your pay are you currently contributing to the TSP? (ENTER 0 IF YOU ARE NOT CONTRIBUTING.)

_____ % of pay **OR** \$ _____ per pay period
 I don't know

3. Why aren't you currently contributing to the TSP? (Mark all that apply.)

- I am contributing to the TSP.
- I have already contributed the maximum amount allowed.
- The TSP is too complex.
- I don't have enough money to save right now.
- I'm saving in other ways.
- I can't access my money before I retire.
- I'm not satisfied with the investment options.
- I'm not sure how to sign up for the TSP.
- I'm not eligible to participate in the TSP.
- I'm a new employee, and I don't yet qualify for matching contributions.
- My contributions were suspended because of my hardship withdrawal.

4. Whether or not you are contributing to the TSP, which of the following are (or would be) your reasons for contributing to the TSP? (Mark all that apply.)

- Tax benefits
- Matching contributions
- My supervisor/superior recommended that I do so.
- A co-worker/friend recommended I do so.
- So I can retire when I want to
- Administrative costs are low.
- Convenience of payroll deduction
- Other (Please specify) _____
- Don't know



Less than 40% of my annual pay	40% to 59% of my annual pay	60% to 79% of my annual pay	80% to 99% of my annual pay	100% or more of my annual pay	Don't know
<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

5. Approximately what percentage of your annual pre-retirement pay do you think you will need to live comfortably when you retire? For example, if you think you will require half as much annual pay, please choose "40% to 59%"; if you think you will require the same amount as you currently earn, choose "100% or more."

6. If you have set aside money specifically for retirement, indicate the type of accounts where you have retirement savings. (DO NOT include your contributions to the TSP or your FERS/CSRS annuity or military pension.) (Mark all that apply.)

- I have no other retirement savings accounts.
- Bank/credit union account (not including checking accounts)
- Traditional IRA
- Roth IRA
- Other employer's tax-deferred account (e.g. 401(k) or 403(b))
- Mutual funds, stocks, bonds or brokerage accounts (not tax-deferred)
- Other (Please specify) _____

7. Rank your **TOP 3** most important expected sources of retirement income. Use a "1" to indicate the most important, a "2" to indicate the 2nd most important, and a "3" to indicate the 3rd most important source.

- _____ Home equity
- _____ Income from work
- _____ Other retirement plan (not TSP) from a non-Federal employer
- _____ Personal savings (including IRA funds)
- _____ Social Security
- _____ FERS/CSRS annuity
- _____ Military pension
- _____ TSP account
- _____ Other (Please specify) _____

8. At what age do you plan to retire from all full-time employment?

- I'm already retired. (Skip to question #12.)
- Younger than 55
- 55 to 59
- 60 to 61
- 62 to 64
- 65
- 66 or older
- I never plan to retire.
- Don't know

Continued on next page...



Indicate whether you agree/disagree with the following statements.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Don't Know/ Not Applicable
9. I plan to stay with the Federal Government for at least the next two years.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. I plan to continue working for the Federal Government until I reach retirement age.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Very Likely	Somewhat Likely	Neither Likely Nor Unlikely	Somewhat Unlikely	Very Unlikely	Don't Know/ Not Applicable
11. Assume you continue to work for the Federal Government until you can retire. What is the likelihood that you will work for pay after you retire?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. At what age do you anticipate starting to withdraw money from your TSP account?

- I've already started withdrawals.
- Before I am 55
- 55 to 59
- 60 to 61
- 62 to 64
- 65
- 66 or older
- Don't know/ Not applicable

Part B: The following questions are about the TSP benefits and services available to you.

13. How often do you review your TSP account?

- At least monthly
- Quarterly
- Twice a year
- Annually
- Rarely
- Never

14. How do you usually access/receive your TSP account information? (Mark all that apply.)

- On line from work
- On line from home
- Receive paper statements
- Call the TSP ThriftLine
- I don't review it.

15. When was the last time you called the TSP ThriftLine and spoke to a telephone service representative?

- Within the last month
- Within the last 6 months
- Within the last year
- More than a year ago
- I have never called the ThriftLine.
- I don't know.



16. How would you describe your approach for investing the money in your TSP account? (Mark one response only.)

- Very aggressive - High risk
- Somewhat aggressive - Moderate risk
- Balanced between aggressive and cautious
- Somewhat cautious - Low risk
- Very cautious - No risk
- Don't know/ Not applicable

17. How did you determine where to invest your TSP money? (Mark all that apply.)

- Kept my money in the G Fund
- Selected one of the L Funds, so my investment mix is professionally determined
- Received advice from a financial professional
- Received advice from family/friends
- Received advice from co-workers
- Reviewed TSP website/publications
- Spoke with agency/uniformed services representative
- Other (Please specify) _____

18. Indicate whether you agree/disagree with the following statements: (Mark only one response per row.)

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Don't Know/ Not Applicable
a. The information available about the TSP is helpful in explaining the benefits that I receive from the plan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. The information available about the TSP helps me make decisions about my TSP account.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. It's easy to make changes to the way my TSP money is invested.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. It's easy to make changes to the amount of pay I contribute to the TSP.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. In the past two years, the TSP has become a better program.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

19. How satisfied are you with each of the following characteristics of the TSP? (Mark only one response per row.)

	Very Satisfied	Satisfied	Neither Satisfied Nor Dissatisfied	Dissatisfied	Very Dissatisfied	Don't Know/ Not Applicable
a. Amount of agency/uniformed services matching contributions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Waiting period required for a new FERS employee to become eligible for agency contributions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Ability to borrow from my account while actively employed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Ability to withdraw money from my account after separation from service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Ability to access information about my account and general plan features on the TSP Web site	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Continued on next page...



	Very Satisfied	Satisfied	Neither Satisfied Nor Dissatisfied	Dissatisfied	Very Dissatisfied	Don't Know/ Not Applicable
f. Ability to access information about my account and general plan features through the automated TSP ThriftLine	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
g. Quality of services provided by the TSP telephone service representatives (ThriftLine)	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
h. Accuracy and timeliness of the processing of forms submitted to the TSP	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
i. Overall quality of services provided by the TSP (i.e., Web-based services, automated ThriftLine, and TSP telephone service representatives)	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
OVERALL SATISFACTION						
20. Overall satisfaction with the TSP	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Part C: The TSP is considering changes to help participants better prepare for retirement. As you respond to the following questions, please consider whether you believe these changes would benefit most TSP participants and improve the overall value of the program.

Some Federal employees and uniformed service members do not sign up for the TSP. The TSP is considering automatic enrollment for new employees and members by having their agencies or services automatically begin deducting employee contributions, unless a person chooses not to participate. **Indicate whether you agree or disagree with the following statement.**

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	I Don't Know
21. Automatically enrolling new employees/members in the TSP is a good idea.	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

22. If a TSP participant does not make an investment decision, his/her contribution is automatically invested in the Government Securities (G) Fund. The G Fund earns interest and does not incur losses, but may not provide a high enough return to meet long-term retirement goals. The TSP is considering changing this process to automatically invest these contributions in an age-appropriate Lifecycle (L) Fund, based upon the specific participant's estimated retirement date. In the Lifecycle funds, money is allocated more heavily toward stocks for younger employees/members - with greater asset fluctuation, but higher expected returns. As retirement nears, the fund is invested more heavily in Government securities and bonds. **Please indicate which of these options you would prefer.**

	Strongly prefer the L Fund	Prefer the L Fund	Don't Know or No Preference	Prefer the G Fund	Strongly prefer the G Fund	
<p>If a participant does not make an investment choice, his or her money should be invested in the appropriate Lifecycle (L) Fund, based on the participant's estimated retirement date.</p>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<p>If a participant does not make an investment choice, his or her money should be invested in the G Fund.</p>



23. The TSP is considering adding new funds and services, which would modestly increase the expenses that all participants pay. The new funds that are being considered may provide participants greater flexibility and opportunities for investment diversification. The new services may aid participants in tax planning decisions. At the same time, these changes may increase the complexity of the plan. The flexibility, diversification, and tax planning benefits of the added new funds and services may or may not be worth the increased expense and complexity. **Considering both the positive and negative aspects, indicate whether you agree or disagree with the following statements.** (Mark only one response per row.)

The TSP would be a better program if it...:	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	I Don't Know
a. provided an option to contribute to a Roth 401(k) account. (This would allow participants to have some or all of their future contributions treated differently for tax purposes.)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. offered a wider selection of investment options.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

24. The individual funds in the TSP currently cost participants about \$4 a year for every \$10,000 they have in their accounts. If new funds are added to the TSP, they might have expenses that are significantly higher than this. The annual expenses of any new fund would be assessed only to participants who invest money in that fund. **Considering this information, indicate the cost level, in comparison to current TSP funds, where you think adding each of the investment options listed below would be beneficial for most TSP participants.**

Mark only one response per row.

	Do not add fund regardless of cost	Add fund if costs would be about the same as current TSP funds	Add fund even if costs would be somewhat higher than current TSP funds	Add fund regardless of cost	I Don't Know
a. Emerging Markets Bond Fund - A fund that invests in corporate and government bonds from emerging or developing countries, such as nations in Southeast Asia and Eastern Europe	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Emerging Markets Stock Fund - A fund that invests in companies from emerging or developing countries, such as nations in Southeast Asia and Eastern Europe	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. High Yield Bond Fund - A fund that invests in public and private bonds that pay higher rates of return, but have a higher risk of default	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. International Bond Fund - A fund that invests in higher-quality corporate and government bonds from outside the United States	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Precious Metals Fund - A fund whose value is based upon the value of "precious metals" (e.g. gold, silver, platinum), strategic metals (e.g. titanium, chromium), strategic minerals, or diamonds	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Real Estate Investment Trust (REIT) Fund - A fund which invests in publicly traded real estate investment companies that own portfolios of income-producing commercial real estate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Socially Responsible Fund - A fund that holds stock in companies that adhere to social, moral or environmental beliefs	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. Treasury Inflation Protected Securities (TIPS) Fund - A fund which invests in U.S. Treasury bonds that guarantee a return above inflation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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25. Adding new funds may require the TSP to establish restrictions on the number of interfund transfers participants can make and/or the amount participants can invest in some funds. **Consider the fund(s) in the previous question that you selected as appropriate to add to the TSP; would adding those funds still benefit TSP participants if restrictions were required?** (Mark one response only.)

- I do not think any new funds should be added.
- New restrictions would not change my opinion.
- New restrictions would change my opinion.
- It depends on how the specific restrictions would be imposed.
- I don't know.

26. **Which of the following changes to the TSP do you think will encourage more Federal employees/service members to become contributors to the TSP?** (Mark all that apply.)

- Automatic enrollment of new employees/members
- More investment choices
- Immediate matching contributions for new employees/members
- Other (Please specify) _____
- None of the above

27. **Please provide any comments or suggestions that you may have regarding the TSP.**

Demographics

1. **Age**

- Under 30
- 30-39
- 40-49
- 50-59
- 60-69
- 70 or over

2. **Gender**

- Male
- Female

3. **Annual Pay**

- Less than \$25,000
- \$25,000 to \$40,000
- \$40,000 to \$60,000
- \$60,000 to \$80,000
- \$80,000 to \$100,000
- \$100,000+

4. **Highest Education Level**

- Some High School
- High School Graduate
- Some College
- College Graduate
- Some Advanced/ Post-Graduate Education
- Advanced/ Post-Graduate Degree

5. **Homeowner**

- Yes
- No

6. **Marital Status**

- Single
- Married

6a. **If you selected "Married", is your spouse offered a retirement benefit by his or her employer?**

- Yes
- No

7. **Number of years employed by the Federal Government/uniformed services.** (please round)

_____ Years

8. **Number of different non-U.S. Government employers for which you have worked full time.**

9. **Do you have Internet access from home?**

- Yes
- No

9a. **If yes, is it high-speed or dial-up?**

- High-speed
- Dial-up

10. **Do you have Internet access from work?**

- Yes, all the time
- Yes, on a limited basis
- No

Thank you for your participation!





Appendix B: Factors Driving the Margin of Error

This report contains analyses for different data cuts below the retirement system level. These analyses should be treated as preliminary findings for descriptive purposes only. There are four factors that drive the reported margin of error: the size of the underlying population, the sample size, the desired confidence level and the standard deviation of the statistic being measured.

All else equal, the margin of error decreases proportionally to the square root of the sample size – i.e., larger samples result in increasingly smaller reductions in the margin of error. If the population size is small relative to the sample size then it is customary to employ a small sample correction to estimate the margin of error. All else equal, the same sample size will result in a smaller margin of error for a smaller underlying population. Since the number of people in the TSP is quite large relative to our sample, the impact of this factor would be negligible.

The third factor is the desired level of confidence. The confidence level reflects the probability that the true value of the statistic for the population as a whole lies within the reported margin of error of the value of the statistic calculated from the sample of survey respondents. It is customary to report margins of error that represent a 95 percent confidence interval, meaning that the probability that the true value of the underlying statistic being outside the reported margin of error is only 5 percent.

The final consideration is the standard error of the underlying variable. In most of the tables, we report the percentage of respondents who have provided that answer. The convention for reporting margins of error is to make the most conservative possible assumption that the responses to an item are divided evenly – for example between favorable responses and other responses – and report the margin of error for the given sample size that would result.





Appendix C: Demographics

Fig. C.1 Age Distribution by Retirement System

Demographics 1

	CSRS	FERS	Uniformed Services	All
<i>N</i>	1475	1381	2107	4963
Less than Age 30	0.0%	11.8%	13.0%	8.8%
30 to 39	0.1	16.0	24.3	14.8
40s	20.2	27.5	29.6	26.2
50 to 59	36.8	25.7	26.2	29.2
Age 60 and Over	42.9	19.0	6.8	20.9

Fig. C.2 Percentage Male and Female by Retirement System

Demographics 2

	CSRS	FERS	Uniformed Services	All
<i>N</i>	1455	1369	2093	4917
Male	56%	56%	78%	66%
Female	44%	44%	22%	34%

Fig. C.3 Annual Pay Distribution by Retirement System

Demographics 3 – Annual Pay

	CSRS	FERS	Uniformed Services	All
<i>N</i>	1418	1353	2069	4840
Less than \$40K	13.0%	31.4%	21.8%	21.9%
\$40K to \$60K	27.2	32.7	19.8	25.6
\$60K to \$80K	21.3	16.0	19.0	18.9
\$80K to \$100K	18.3	9.6	17.1	15.4
\$100K and Over	20.3	10.2	22.3	18.3

Fig. C.4 Percentage of Respondents Actively Employed by the Federal Government or Uniformed Services by Retirement System

Q8

	CSRS	FERS	Uniformed Services	All
Active				
<i>N</i>	1,081	1,278	1,524	3,883
%	71.8%	91.1%	71.1%	76.9%
Retired (Q8.1)				
<i>N</i>	308	67	95	470
%	20.5%	4.8%	4.4%	9.3%





Fig. C.5 Tenure Distribution by Retirement System

Demographics 7 – Number of years employed by the Federal Government/uniformed services

	CSRS	FERS	Uniformed Services	All
<i>N</i>	1486	1384	2115	4985
Less than 2	0.1%	19.1%	1.3%	5.9%
2 to 4.9	0.1	22.4	7.3	9.3
5 to 9.9	0.1	19.0	14.2	11.4
10 to 14.9	0.8	8.1	12.5	7.8
15 to 19.9	1.9	9.2	17.5	10.6
20 to 24.9	10.8	12.5	19.4	14.9
25 to 29.9	34.4	5.1	13.7	17.5
30+	51.8	4.6	14.0	22.7

Fig. C.6 Number of Different non-U.S. Government Employers Respondents Worked for by Retirement System

Demographics 8 – Number of different non-U.S. Government employers for which you have worked full time.

	CSRS	FERS	Uniformed Services	All
<i>N</i>	1390	1314	2003	4707
0	22.2%	13.5%	20.4%	19.0%
1	24.2	20.4	23.9	23.0
2	21.2	20.2	18.6	19.8
3	14.0	14.7	14.2	14.3
4	8.3	10.0	8.0	8.7
5+	10.1	21.2	14.8	15.2

Fig. C.7 Distribution of Education Groups by Retirement System

Demographics 4 – Highest Education Level

	CSRS	FERS	Uniformed Services	All
<i>N</i>	1435	1364	2088	4887
Some High School	0.3%	1.0%	0.1%	0.4%
High School Graduate	13.7	9.8	5.0	8.9
Some College	33.5	26.8	23.0	27.2
College Graduate	24.4	30.8	24.6	26.3
Some Advanced/Post-Graduate Education	9.9	9.0	10.2	9.8
Advanced/Post-Graduate Degree	18.1	22.7	37.2	27.5





Fig. C.8 Distribution of Homeowner, Marital Status and Internet Access by Retirement System

Demographics 5, 6, 9

	CSRS	FERS	Uniformed Services	All
Homeowner	93.2%	79.4%	79.2%	83.4%
Married	70.2	68.2	74.3	71.4
Married whose spouse is offered retirement plan	64.0	58.7	52.8	57.6
Internet Access	83.7	87.6	94.8	89.5
High-speed	71.5	76.6	86.3	79.6
Dial-up	28.5	23.4	13.7	20.5

Fig. C.9 Internet at Work by Retirement System

Demographics 10

	CSRS	FERS	Uniformed Services	All
Internet access at work all the time	60.6%	63.8%	71.2%	66.1%
Internet access at work on a limited basis	12.1	16.6	16.8	15.4
No Internet access at work	27.3	19.6	12.0	18.5





Appendix D: Plan Satisfaction

Fig. D.1 Satisfaction with the TSP by Retirement System

Q18. TSP Information and changes in individual options

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Information is helpful in explaining benefits that I receive from the TSP	82.4%	3.9%	77.1%	7.3%	77.9%	6.4%
Information helps me make decisions about my TSP account	76.7	4.1	70.2	7.9	72.3	6.7
It's easy to make changes to the way my TSP money is invested	85.5	4.6	82.3	4.7	85.2	4.9
It's easy to make changes to the amount of pay I contribute to the TSP	83.5	5.2	82.3	6.4	83.1	7.9
In the past two years, the TSP has become a better program	68.8	2.9	57.4	2.3	63.0	3.7

Notes: Based on all respondents.

Fig. D.2 Satisfaction with the TSP by Pay

Q18. TSP Information and changes in individual options

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Information is helpful in explaining benefits that I receive from the TSP	70.9%	9.4%	79.6%	5.9%	82.8%	4.1%
Information helps me make decisions about my TSP account	64.9	9.1	73.2	6.0	76.9	5.1
It's easy to make changes to the way my TSP money is invested	76.9	7.4	85.1	4.2	87.4	4.0
It's easy to make changes to the amount of pay I contribute to the TSP	80.5	7.8	83.3	6.0	83.8	7.1
In the past two years, the TSP has become a better program	51.8	4.3	65.7	3.1	65.7	2.4

Notes: Based on all respondents.





Fig. D.3 Satisfaction with the TSP by Retirement System
Q19.

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Amount of agency services matching contributions	37.0%	31.7%	69.3%	14.1%	28.4%	54.0%
Waiting period required for a new FERS employee to become eligible for agency contributions	33.7	8.7	41.7	22.4	28.3	20.1
Ability to borrow from my account while actively employed	62.4	5.8	57.7	4.3	46.0	6.8
Ability to withdraw money from my account after separation from service	64.2	7.7	56.2	3.7	48.7	7.3
Ability to access information about my account and general plan features on the TSP Web site	84.8	4.2	83.5	4.3	81.9	5.8
Ability to access information about my account and general plan features through the automated TSP ThriftLine	74.9	5.7	71.7	4.5	62.2	6.0
Quality of services provided by the ThriftLine	60.4	7.8	54.9	5.2	44.3	8.1
Accuracy and timeliness of the processing of forms submitted to the TSP	74.0	5.0	65.2	7.0	59.1	9.1
Overall quality of services provided by the TSP	83.6	2.6	81.1	3.1	78.9	4.0
Overall satisfaction with the TSP	87.7	2.7	85.4	2.4	83.2	3.8

Notes: Based on all respondents.

Fig. D.4 Satisfaction with the TSP by Pay
Q19.

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Amount of agency services matching contributions	55.2%	24.5%	48.7%	31.8%	32.0%	48.5%
Waiting period required for a new FERS employee to become eligible for agency contributions	41.3	17.1	37.1	18.6	26.6	22.8
Ability to borrow from my account while actively employed	53.0	7.6	56.6	5.7	51.8	4.7
Ability to withdraw money from my account after separation from service	55.7	9.6	54.6	5.0	55.3	5.9
Ability to access information about my account and general plan features on the TSP Web site	77.9	6.5	83.7	4.3	86.0	4.6
Ability to access information about my account and general plan features through the automated TSP ThriftLine	65.9	6.7	69.7	4.4	69.4	5.6
Quality of services provided by the ThriftLine	53.1	7.6	54.2	5.3	47.5	9.2
Accuracy and timeliness of the processing of forms submitted to the TSP	60.8	10.2	67.1	5.8	65.5	7.3
Overall quality of services provided by the TSP	75.3	5.0	82.4	2.2	82.4	3.5
Overall satisfaction with the TSP	78.9	5.0	86.1	2.7	88.0	2.1

Notes: Based on all respondents.







THRIFT SAVINGS PLAN

Participant Behavior and Demographics



Analysis for 2000–2005

The FERS participation rate (a measure of current full-time FERS-covered employees making voluntary salary deferrals) stood at 88.8% in 2005, a slight increase from 88.4% in 2000. Participation among full-time FERS employees has been near 88% since 1997, after rising steadily for ten years from the plan's inception in 1987, when 44.1% participated.

The overall average salary deferral rate (the percentage of basic pay contributed to the TSP) for FERS contributors increased from 7.1% in 2000 to approximately 8.6% in 2005. This rate has increased every year since 1988, the first full year of plan operation, when it was 4.9%. The average salary deferral rate in 2005 for CSRS contributors was 7.5%, up from 4.4% in 2000. The significant increases in deferral rates are largely attributable to higher statutory maximum contribution limits. The maximum permitted deferral rates increased 1% each year from 2000, when they stood at 10% for FERS and 5% for CSRS. In 2005, the maximum permitted salary deferral was 15% for FERS participants and 10% for CSRS participants. Another contributing factor is the addition of "catch-up" contributions, which, starting in 2002, allowed TSP participants age 50 and older to make contributions above the statutory maximums.

The average year-end allocation of investments by FERS and CSRS participants shows that the two most popular investment options at all age groups are the Government Securities Investment (G) Fund, which invests in short term non-marketable U.S. Treasury securities, and the Common Stock Index Investment (C) Fund, which invests in a Standard & Poor's 500 stock index fund. As expected, the rate of exposure to the equity markets is higher among younger participants.

Data Collection and Methodology

This report is based on data extracted from the TSP recordkeeping system, which was enhanced with information from the Office of Personnel Management (OPM). In each year covered by this report, the TSP record keeper provided a computer tape containing extract data on the accounts of all TSP participants identified as active civilian Federal employees. OPM enhanced the data by comparing it to their database of Executive Branch and Postal Service employees and adding data on participants' annual salary rate, gender, length of Federal service, and employment (full-time vs. part-time) status.

Not all records for participants on the TSP extract can be matched with OPM data. In 2005, a total of 2.4 million participants were identified on the tape from the TSP record keeper, and OPM returned data on approximately 2.3 million employees. A similar ratio of total records extracted to records matched was seen in other years covered by this report. The inability to match some TSP records to OPM data occurs when OPM or TSP data is incomplete. Additionally, since OPM does not collect data on employees of the Legislative and Judicial Branches, OPM cannot match such records. Finally, approximately 172,000 part-time or intermittent employees are identified in the data, but they are excluded from the analyses because their hourly work schedule (and therefore their actual compensation) is not known.

For purposes of this study, a "FERS contributor" is defined as an employee who contributed his or her own money (i.e., an employee contribution) at any time during the year. An "active FERS participant" is one who received at least one employee or employer contribution during the year. While the TSP maintains records for a large number of retired or otherwise separated participants, such participants are not active and are therefore not considered within this report.

In this report, ages are broken down into 10-year increments. However, as CSRS was closed to new entrants after 1983, there were only insignificant numbers of CSRS participants younger than age 30 in any of the years covered within this report.

In this report, salaries are shown in quintiles. The first quintile represents the 20% of all records showing the lowest annual salary; the fifth quintile represents the 20% of records showing the highest paid participants. Data with respect to the dollar-denominated salary ranges for the quintiles in each year can be found in the Appendix.

The analysis provided is subject to some limitations:

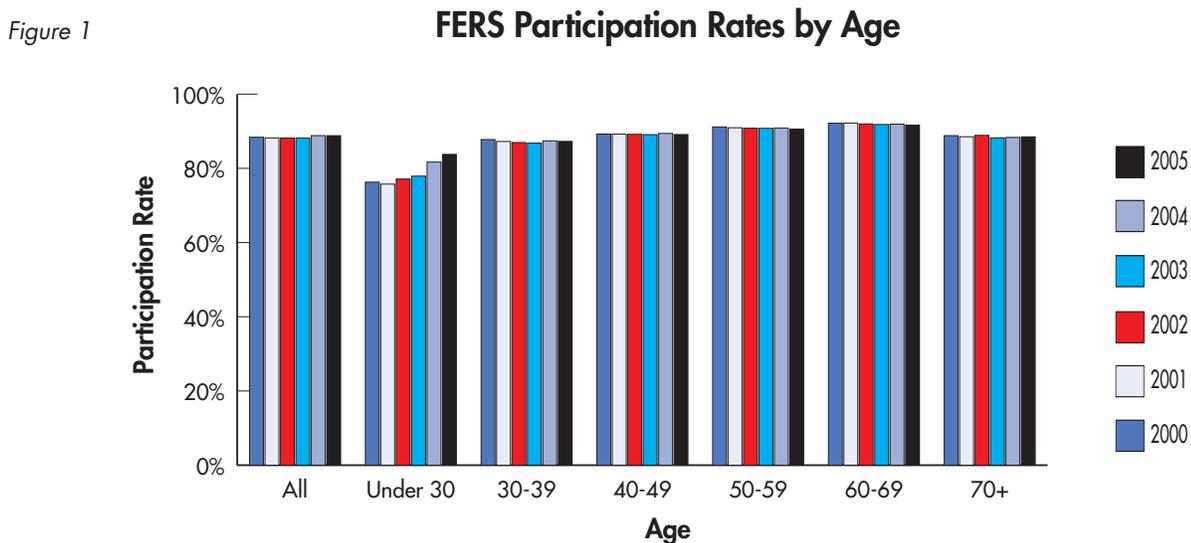
- The exclusion of TSP accounts for employees of the Legislative and Judicial Branches may modestly distort the findings.
- The exclusion of TSP accounts that cannot be matched with OPM data may modestly distort the findings.
- The exclusion of TSP accounts for part-time and intermittent workers is likely to have a more meaningful impact on the findings. Since this group is likely to participate and contribute at lower rates than full-time employees, the findings may marginally overestimate the rates of participation and deferral of the total TSP participant base.
- Employees' actual deferral rates are not included in TSP or OPM databases. Therefore an approximation of annualized deferral rate is calculated by comparing the total employee contributions to the annual salary rate for each calendar year.

Analysis

The following sections address TSP population characteristics. The exhibits and narratives display, over time, the relationships between participation rates and age and salary, and between deferral rates and age and salary.

Age, Salary, Participation Rates, and Deferral Rates of FERS Participants

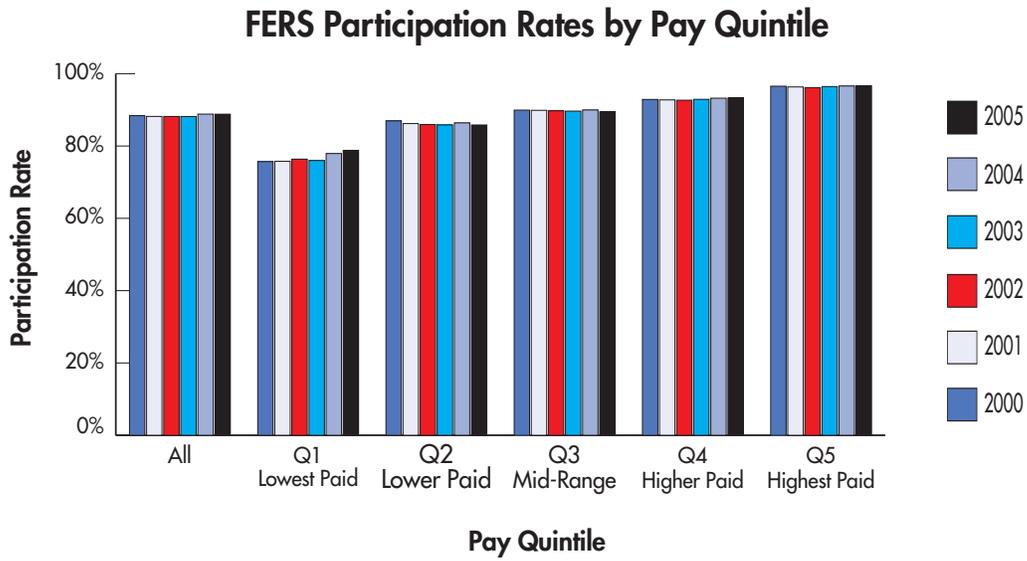
Figure 1 shows FERS participation rates (the number of FERS participants who made voluntary employee contributions, expressed as a percent of the number of active FERS participants) by age.



FERS participation rates modestly increase based on age, except in the case of participants over 70, who participate at a slightly lower rate than those in the age 60–69 category. In 2005, the overall FERS participation rate was 88.8% and ranged from 83.8% in the youngest age group to 91.7% in the 60–69 age group. In looking at changes from 2000 through 2005, most groups show little variation. The exception is among the youngest age group, where the average participation rate among the youngest participants has increased from 76.3% in 2000 to 83.8% in 2005. Participation in defined contribution plans among younger, and generally lower paid, employees is typically lower than average. The trend of increasing participation among the youngest Federal employees is therefore particularly encouraging.

Figure 2 shows FERS participation rates (the number of FERS participants who made voluntary employee contributions, expressed as a percent of the number of active FERS participants) by pay quintile.

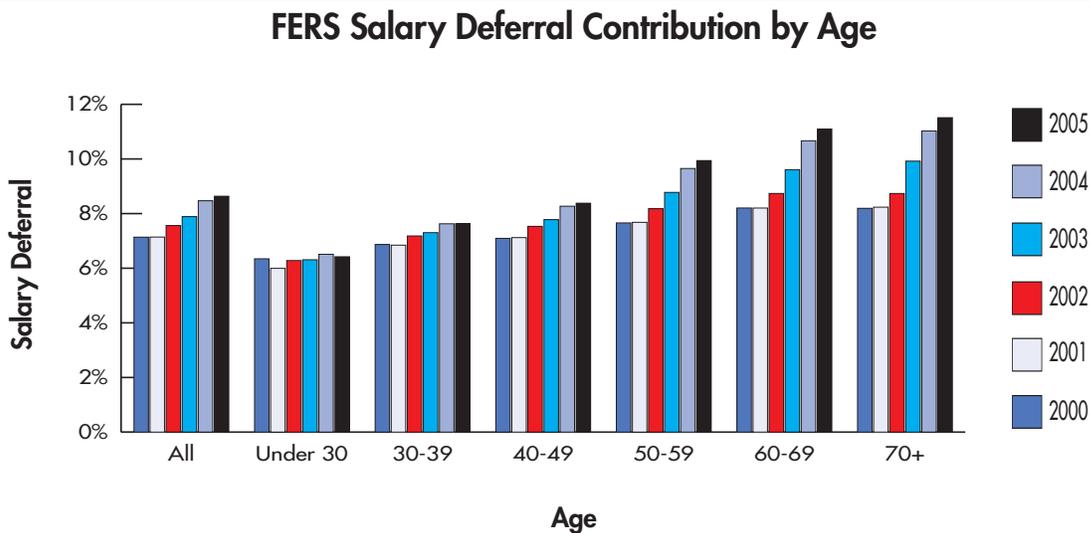
Figure 2



Not surprisingly, FERS participation rates increase with pay. However, participation rates in all pay groups are strong relative to average rates typically seen in private sector defined contribution plans. In 2005, the overall FERS participation rate was 88.8% and ranged from 78.8% in the lowest paid group (Q1) to 96.7% in the highest paid group (Q5). As reflected in the changes from 2000 through 2005, most groups show little variation. The exception is among the lowest paid group (Q1), where average participation is trending upward and has increased from 75.7% in 2000 to 78.8% in 2005. Again, since participation among lower paid employees is typically weaker than average, the trend of increasing participation among the lower paid Federal employees is encouraging.

Figure 3 shows deferral contribution rates (percentages of basic pay contributed to the TSP) for FERS contributors by age.

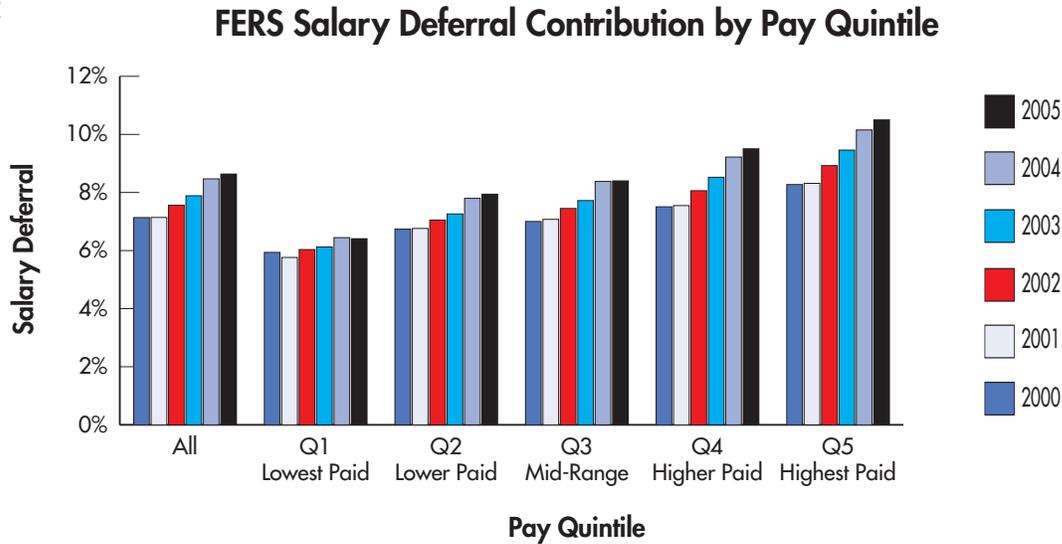
Figure 3



The data show a clear correlation between FERS contribution rates and participant age. In 2005, the average contribution rate among all FERS contributors was 8.6% of pay and ranged from a low of 6.4% among the youngest group to over 11% among the older groups of contributors. In looking at changes from 2000 to 2005, most groups show significant increases over the period. The largest increases are found in the groups age 50 or older, where the impact of catch-up contributions (first made available in 2002) combined with increases in the maximum contribution allowed, has led to dramatic increases in average contribution rates.

Figure 4 shows contribution rates for FERS contributors by pay quintile.

Figure 4



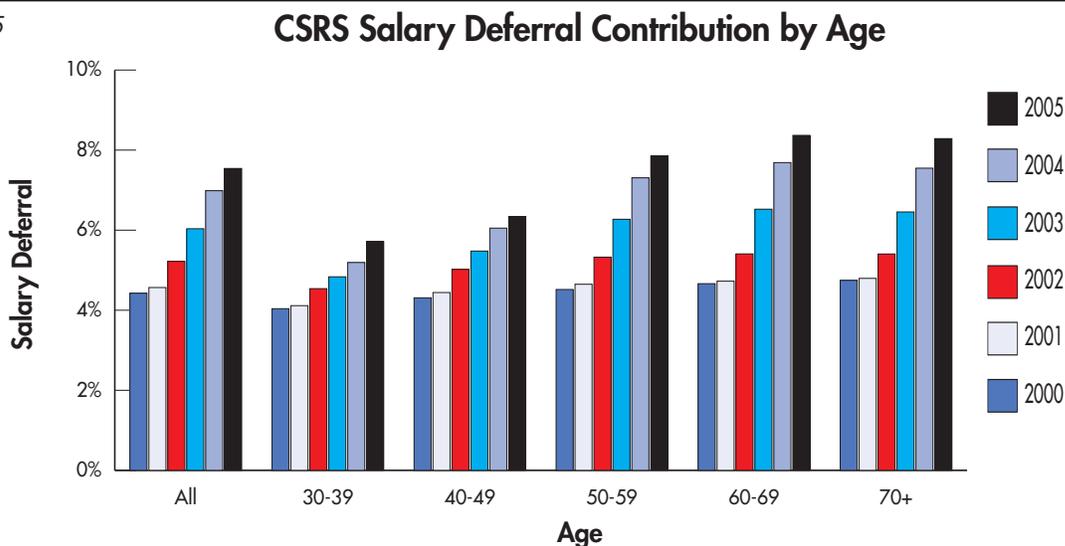
The data show that FERS contribution rates increase with participant pay. In 2005, the average contribution rate among all FERS contributors was 8.6% of pay and ranged from a low of 6.4% among the lowest paid group (Q1) to 10.5% among the highest paid group (Q5) of contributors. In looking at changes from 2000 to 2005, all groups show increases over the period. The largest increases are found among the higher paid groups (Q4 and Q5), where the impact of catch-up contributions (first made available in 2002), combined with increases in the maximum contribution allowed, has led to significant increases in average contribution rates.

Age, Salary, and Deferral Rates of CSRS Participants

Participation rates for CSRS employees classified by age and salary are not shown because data regarding these factors is not available for non-participating CSRS employees. However, using OPM data on the total number of active CSRS employees, we are able to estimate the overall CSRS participation rate. The estimated CSRS participation rate in 2005 was 67%, compared with approximately 65% in 2000. The CSRS participation rate in 1988, the first full year of the TSP, was approximately 20%.

Deferral rates by age for CSRS participants who are contributing to the TSP are shown in Figure 5.

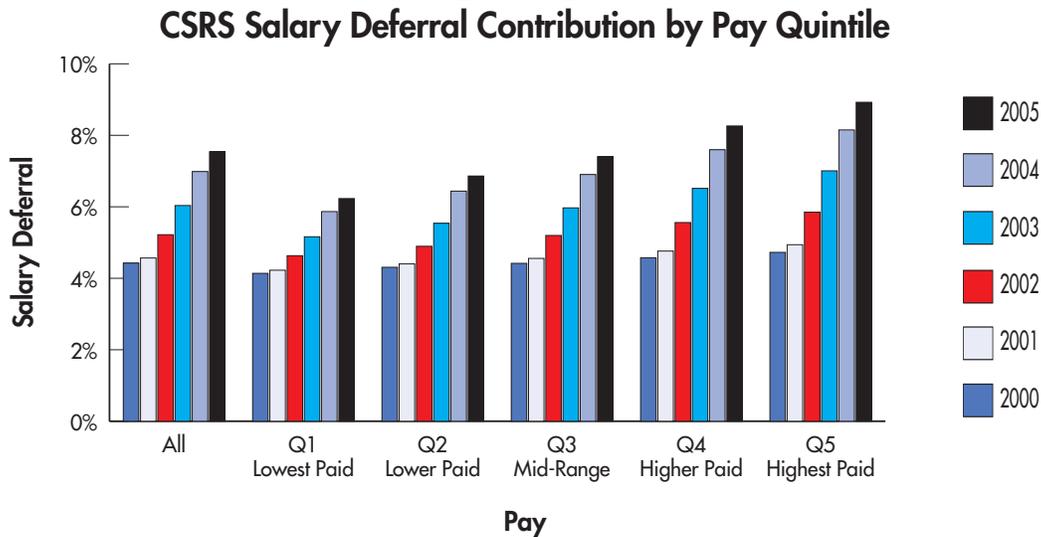
Figure 5



The data reflect consistently increasing rates of deferral as age increases and increasing rates of deferral over time. The average deferral in 2005 ranged from 5.7% in the youngest age group to 8.3% in the older groups. As reflected in changes from 2000 through 2005, all groups show significant increases over the period. The largest increases are found in the groups age 50 or older, where the impact of catch-up contributions combined with increases in the maximum allowed contribution has led to dramatic increases in average contribution rates.

Deferral rates by pay quintile for CSRS contributors to the TSP are shown in Figure 6.

Figure 6

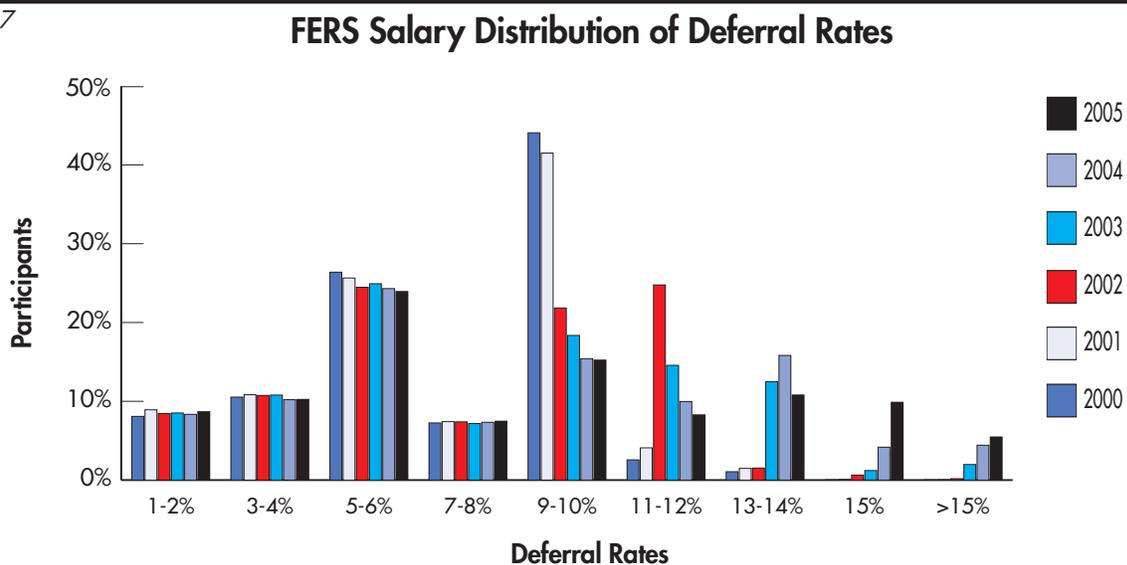


The data show that CSRS contribution rates increase significantly with participant pay. In 2005, the average contribution among all CSRS contributors was 7.5% of pay and ranged from a low of 6.2% among the lowest paid group (Q1) to 8.9% among the highest paid group (Q2) of contributors. The data also show that from 2000 through 2005, CSRS deferral rates increased markedly in all pay quintiles. The increases in the average deferral rates are the result of many participants electing to contribute at the higher statutory maximum contribution rates.

Distribution of Deferral Rates

The distributions of FERS contributors' deferral rates are shown in Figure 7.

Figure 7



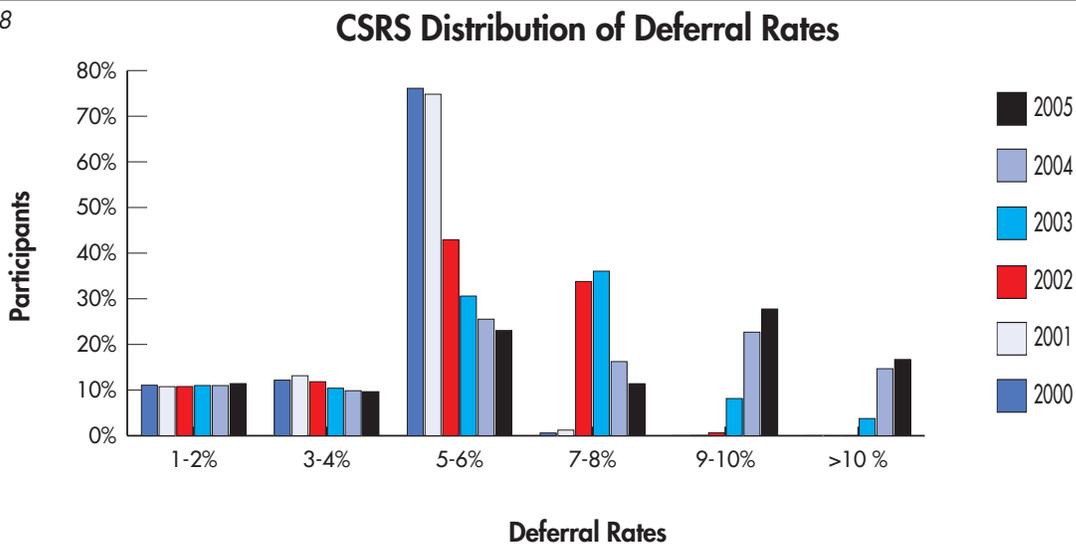
The chart above shows the significant impact that two key plan design elements have on the behavior of FERS participants. The key elements are: 1) the level of agency matching contributions and 2) the statutory maximum contribution limits.

FERS participants receive matching contributions on their deferrals up to 5% of pay. This matching level has remained constant throughout the existence of the TSP. The data show that there is a significant group of participants who contribute only to the level (i.e., 5%) that is matched by the agencies. This group has stayed relatively constant in size over the period 2000-2005, sliding modestly from 26% to 23% of all contributors.

The statutory maximum contribution limits have increased annually in 1% increments, from 10% in 2000 to 15% in 2005. The data show that 44% of participants were contributing at the statutory maximum in 2000. As the maximum contribution amount was increased, the concentration around the 9-10% bracket dissipated as significant portions of these participants reached for newly allowable higher contribution amounts. However, not all participants could afford to contribute at the highest levels. So increasingly smaller groups of participants reached maximum contribution levels in each successive year. We also note that contributions above 15% are generally attributable to FERS participants age 50 or older who utilize catch-up contributions. The data show that in 2005, approximately 5% of FERS contributors fell into this category.

The distributions of CSRS contributors' deferral rates are shown in Figure 8.

Figure 8

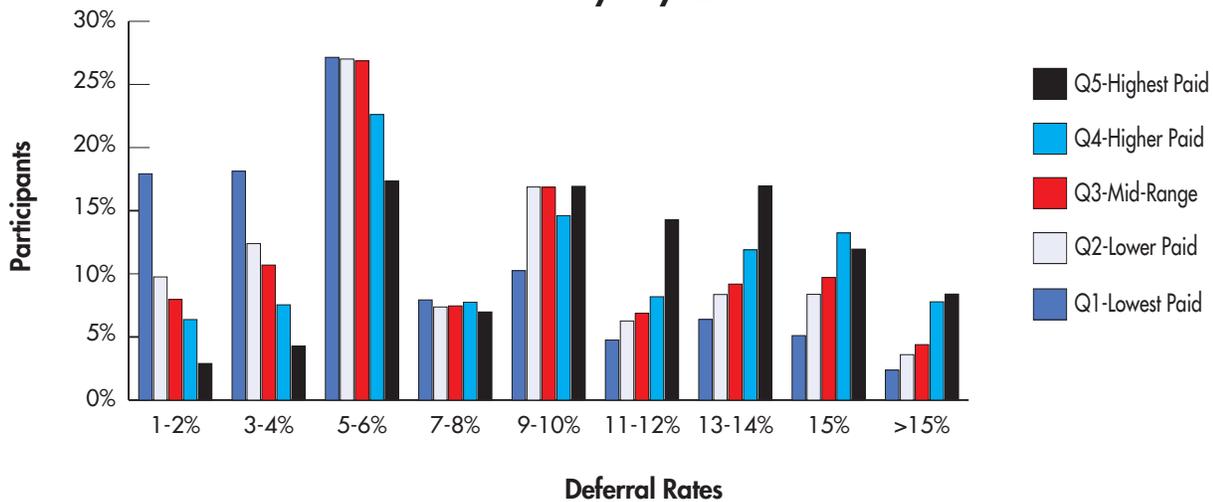


The chart above shows the significant impact that changes to the statutory maximum contribution limits had on the behavior of CSRS participants. The statutory maximum contribution limits for CSRS increased annually in 1% increments, from 5% in 2000 to 10% in 2005. In 2000, 76% of CSRS contributors were contributing at the maximum level of 5%. As the maximum contribution amount was increased, the concentration of contribution rates at 5-6% dissipated as significant portions of CSRS participants reached for newly allowable higher contribution amounts. As with the FERS participants, not all CSRS participants could afford to contribute at the highest levels. So increasingly smaller groups of participants reached maximum contribution rates. We also note that contributions above 10% are generally attributable to participants age 50 or older who utilize catch-up contributions. The data show that in 2005, approximately 17% of CSRS contributors fall into this category. While the number of catch-up contribution users is significantly larger in the CSRS group than the FERS group, this is expected, given that a significantly larger percentage of CSRS employees fall into the 50 or older age group.

Figure 9 illustrates FERS deferral rates in 2005 within selected pay quintiles.

Figure 9

FERS 2005 Distribution Salary Deferral Contribution Rates by Pay Quintile

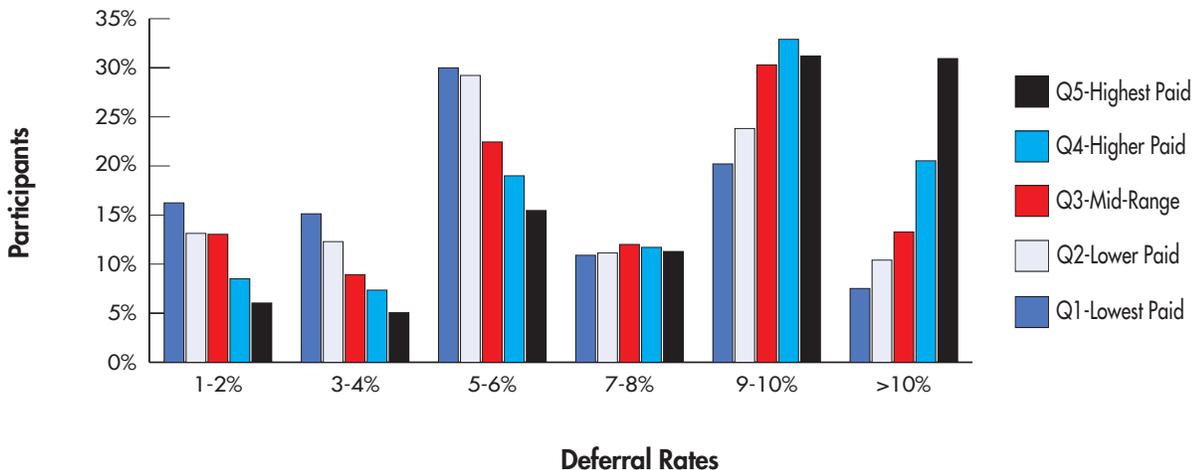


The distribution of deferral rates in 2005 varied considerably at different pay levels. Among contributing FERS participants in the lowest of the five pay groups (Q1), 63% deferred 6% of salary or less, and less than 13% deferred above 12% of pay. Among FERS contributors in the mid-range pay group (Q3), 46% deferred 6% of salary or less, while 23% deferred above 12% of pay. The trend towards higher deferral rates at higher salary levels continues in the highest paid group (Q5), with approximately 25% deferring 6% of pay or less, and 37% deferring above 12% of pay. The biggest grouping for all pay groups, except the highest paid group (Q5), is at the 5-6% level where the agency matching contribution ceiling is reached.

Figure 10 illustrates CSRS deferral rates in 2005 within selected pay quintiles.

Figure 10

CSRS 2005 Distribution of Salary Deferral Contribution Rates by Pay Quintile



CSRS participants exhibit a similar trend of higher deferral rates among higher salary brackets. Among contributing CSRS participants in the lowest of the five pay groups (Q1), 61% deferred 6% of salary or less, and 28% deferred 9% or more of pay. Among CSRS contributors in the mid-range pay group (Q3), 44% deferred 6% of salary or less, while 44% also deferred 9% of pay or more. The trend towards higher deferral rates at higher salary levels continues in the highest paid group (Q5), with approximately 27% deferring 6% of pay or less, and 62% deferring 9% of pay or more.

Participant Investments

In 2005, the TSP provided five individual investment fund choices and five lifecycle options for participants: the Government Securities Investment (G) Fund, which invests in short term non-marketable U.S. Treasury securities; the Fixed Income Index Investment (F) Fund, which invests in a Lehman Brothers Aggregate bond index fund; the Common Stock Index Investment (C) Fund, which invests in a Standard & Poor's 500 stock index fund; the Small Capitalization Stock Index Investment (S) Fund, which invests in a Wilshire 4500 stock index fund; and the International Stock Index Investment (I) Fund, which invests in a Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) stock index fund. The Lifecycle (L) Funds are asset allocation portfolios, which are constructed from the five individual funds. The L Funds first became available in August of 2005.

The investment allocations of FERS and CSRS participants, as indicated by their 2005 year-end balances in the respective investment funds, are presented in Figures 11 and 12.

Figure 11

FERS Investment Allocation by Age (as of 12/31/2005)

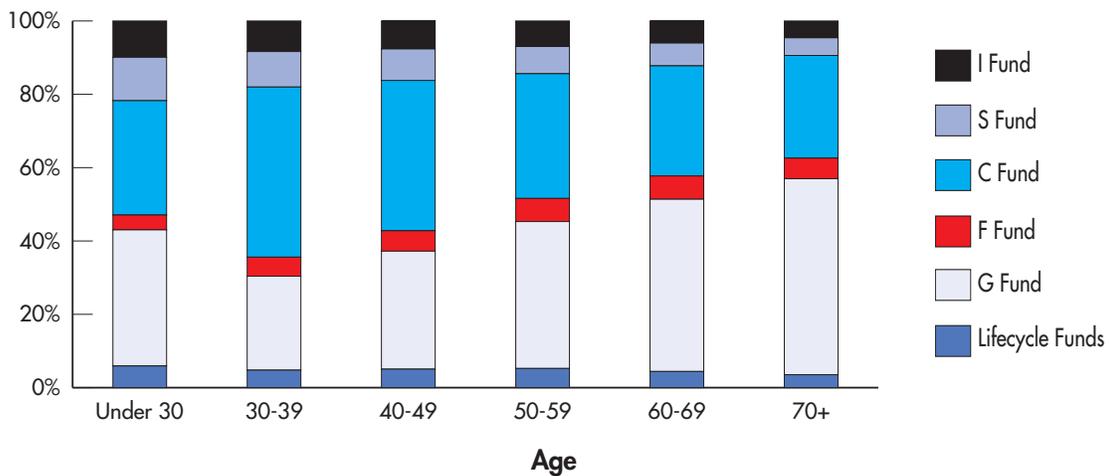
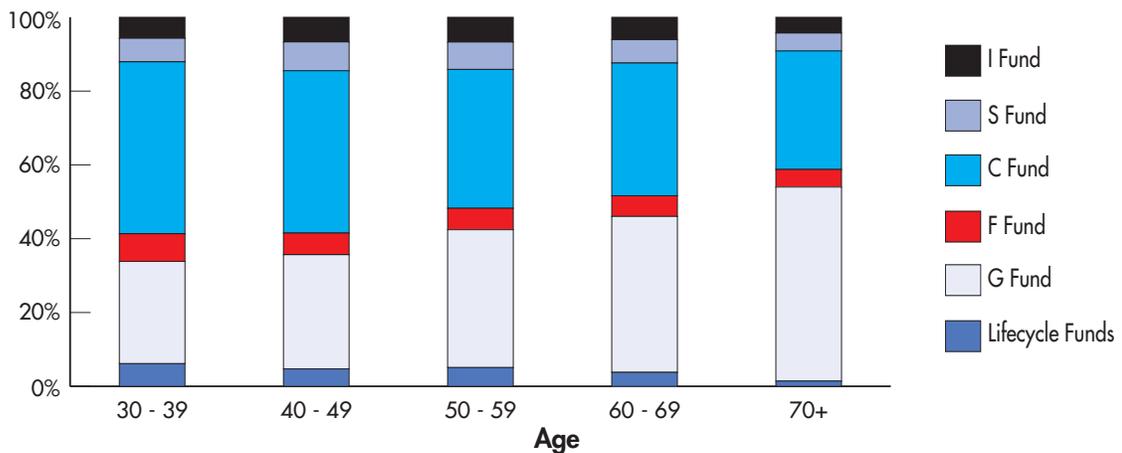


Figure 12

CSRS Investment Allocation by Age (as of 12/31/2005)



Figures 11 and 12 show that, in general, participants are exposing themselves to market risk in inverse proportion to their age. Exposure to the risk-free G Fund is significant within all age groups, but it grows proportionally larger with older age groups. Likewise, exposure to equity market risk shrinks with older age groups. However, one area where

this trend is broken is with FERS participants under 30 years old. These participants hold a larger proportion of the G Fund than their counterparts in their 30s and 40s. This is likely due to the fact that when participants do not give the TSP direction on where to invest their contributions, their money is defaulted to the G Fund. Participants under 30 are also more likely to be new to the TSP and therefore have small accounts. These factors suggest that a lack of participant engagement, paired with the G Fund default policy, are the drivers behind this anomaly.

Figures 13 and 14 look only at participants who had money invested in the L Funds and at how that money was allocated among the L Funds at the end of 2005. The five L Funds are the L 2040 Fund, L 2030 Fund, L 2020 Fund, L 2010 Fund, and L Income Fund. Participants are instructed to select the L Fund with the date that most closely matches the date when they expect to start drawing retirement income.

Figure 13

FERS Life Fund Investment Allocation By Age (as of 12/31/2005)

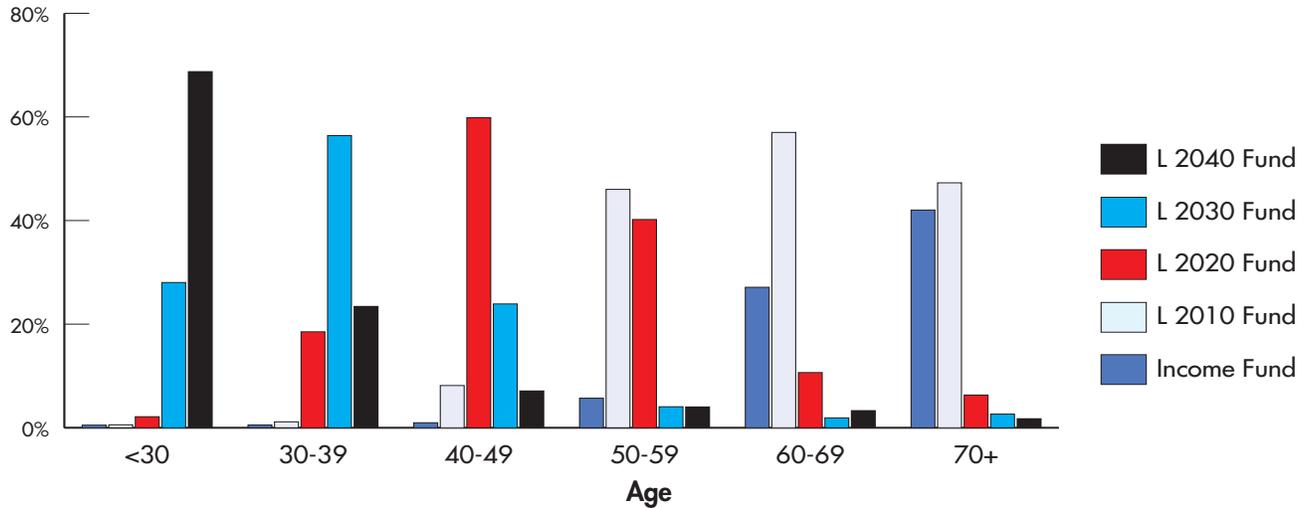
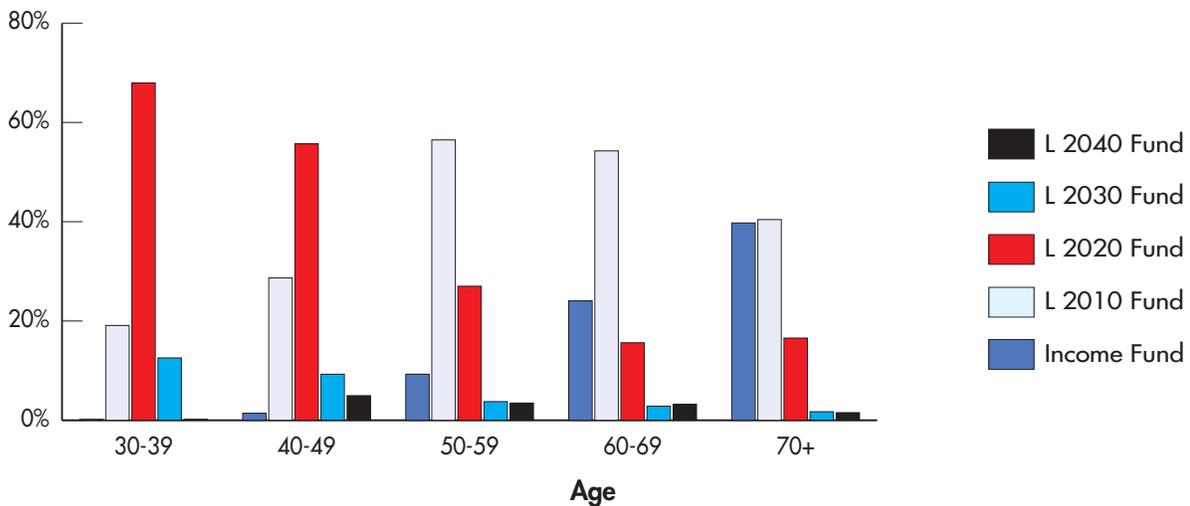


Figure 14

CSRS Life Fund Investment Allocation by Age (as of 12/31/2005)



The L Funds were introduced to TSP participants in August of 2005. Therefore, the participants had only five months within 2005 to direct contributions and transfers to these funds. However, the data show participants are generally using the L Funds as we would expect, with younger employees more heavily allocated to the L 2030 and L 2040 Funds, and older participants more heavily allocated to the L 2010 and L Income Funds. While some anomalies do exist, the data suggests that participants, in general, understand the purpose of the L Funds.

Appendix

Contribution limits by year and retirement system:

Maximum allowed contributions as a percent of pay		
Year	FERS	CSRS
2005	15%	10%
2004	14%	9%
2003	13%	8%
2002	12%	7%

Catch-up contributions for participants age 50 or older were permitted, starting in 2002. Catch-up contribution limits by year:

Maximum catch-up contributions	
Year	Applicable to both FERS and CSRS
2005	\$5,000
2004	\$4,000
2003	\$3,000
2002	\$2,000

A match is provided for those FERS participants who make salary deferral contributions. The matching schedule is as follows:

Participant Contribution	Match Percentage
First 3% of pay	100%
4% to 5% of pay	50%
Above 5% of pay	None

Salary Quintiles

Group		Number of Participants	Quintile 1 Lowest Paid		Quintile 2 Lower Paid		Quintile 3 Mid-Range		Quintile 4 Higher Paid		Quintile 5 Highest Paid	
			Bottom	Top	Bottom	Top	Bottom	Top	Bottom	Top	Bottom	Top
2005 FERS	EE Count	1,620,176	1	324,035	324,036	648,070	648,071	972,106	972,107	1,296,141	1,296,142	1,620,176
	Salary		\$10,000	40,216	40,216	45,269	45,269	53,040	53,040	73,492	73,492	\$200,000
2005 CSRS	EE Count	430,454	1	86,091	86,092	172,182	172,183	258,272	258,273	344,363	344,364	430,454
	Salary		15,000	46,340	46,340	55,595	55,595	73,364	73,364	93,886	93,886	200,000
2004 FERS	EE Count	1,561,426	1	312,285	312,286	624,570	624,571	936,856	936,857	1,249,141	1,249,142	1,561,426
	Salary		10,000	38,531	38,531	43,872	43,872	50,578	50,578	70,237	70,237	200,000
2004 CSRS	EE Count	469,022	1	93,804	93,805	187,609	187,610	281,413	281,414	375,218	375,219	469,022
	Salary		13,487	44,935	44,935	53,236	53,236	70,396	70,396	90,692	90,692	200,000
2003 FERS	EE Count	1,512,790	1	302,558	302,559	605,116	605,117	907,674	907,675	1,210,232	1,210,233	1,512,790
	Salary		10,000	36,385	36,385	42,470	42,470	47,714	47,714	65,930	65,930	200,000
2003 CSRS	EE Count	507,215	1	101,443	101,444	202,886	202,887	304,329	304,330	405,772	405,773	507,215
	Salary		15,000	42,971	42,971	50,723	50,723	67,132	67,132	86,005	86,005	200,000
2002 FERS	EE Count	1,446,077	1	289,215	289,216	578,431	578,432	867,646	867,647	1,156,862	1,156,863	1,446,077
	Salary		10,000	35,223	35,223	40,822	40,822	45,309	45,309	62,790	62,790	200,000
2002 CSRS	EE Count	557,553	1	111,511	111,512	223,021	223,022	334,532	334,533	446,042	446,043	557,553
	Salary		14,560	41,679	41,679	48,652	48,652	63,320	63,320	81,751	81,751	200,000
2001 FERS	EE Count	1,359,721	1	271,944	271,945	543,888	543,889	815,833	815,834	1,087,777	1,087,778	1,359,721
	Salary		10,140	33,430	33,430	39,443	39,443	43,326	43,326	58,848	58,848	200,000
2001 CSRS	EE Count	582,275	1	116,455	116,456	232,910	232,911	349,365	349,366	465,820	465,821	582,275
	Salary		13,771	40,472	40,472	46,214	46,214	60,242	60,242	77,303	77,303	200,000
2000 FERS	EE Count	1,256,979	1	251,396	251,397	502,792	502,793	754,187	754,188	1,005,583	1,005,584	1,256,979
	Salary		10,708	32,032	32,032	38,081	38,081	41,442	41,442	55,626	55,626	200,000
2000 CSRS	EE Count	583,679	1	116,736	116,737	233,472	233,473	350,207	350,208	466,943	466,944	583,679
	Salary		13,168	39,867	39,867	44,213	44,214	56,823	56,823	73,266	73,266	200,000

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
THRIFT SAVINGS PLAN PARTICIPATION
(in Thousands)

April 2008

Month	FERS Receiving Agency Contributions			FERS Contributing Agency Contributions ^a	Total FERS With Contributions	CSRS Contributing	Uniformed Services Contributing ^b	Total Participants With Contributions	Participants With No Current Contributions ^c	Total Plan Participants
	FERS Contributing	FERS Not Contributing	FERS Participation Rate							
	(1)	(2)	(3)=(1)/(1+2)	(4)	(5)=(1+2+4)	(6)	(7)	(8)=(5+6+7)	(9)=(10-8)	(10)
<u>Prior Years</u>										
Jun 1987	163	400	28.9%		563	297		850	10	860
Sep 1987	219	355	38.2%		574	372		947	42	989
Sep 1988	340	390	46.6%		730	388		1,118	189	1,307
Sep 1989	440	428	50.7%		867	423		1,290	164	1,454
Sep 1990	555	430	56.4%		985	461		1,447	191	1,638
Sep 1991	667	411	61.9%		1,078	515		1,593	183	1,776
Sep 1992	786	375	67.7%		1,161	588		1,749	167	1,916
Sep 1993	868	326	72.7%		1,194	619		1,812	224	2,036
Sep 1994	942	300	75.8%		1,242	634		1,876	243	2,119
Sep 1995	1,014	280	78.4%		1,294	635		1,930	265	2,195
Sep 1996	1,085	250	81.3%		1,335	653		1,987	267	2,254
Sep 1997	1,136	211	84.4%		1,347	664		2,011	292	2,303
Sep 1998	1,192	193	86.1%		1,385	662		2,046	324	2,370
Sep 1999	1,271	201	86.3%		1,472	640		2,112	339	2,451
Sep 2000	1,301	198	86.8%		1,499	619		2,118	357	2,475
Sep 2001	1,348	209	86.6%	33	1,590	593		2,183	390	2,573
Sep 2002	1,404	206	87.2%	49	1,659	559	280	2,498	460	2,958
Sep 2003	1,480	229	86.6%	57	1,766	522	359	2,647	555	3,202
Sep 2004	1,521	233	86.7%	62	1,816	475	435	2,726	627	3,353
Sep 2005	1,562	248	86.3%	69	1,878	431	499	2,808	715	3,523
Sep 2006	1,598	264	85.8%	67	1,929	386	536	2,851	811	3,662
<u>Previous 12 Months</u>										
Apr 2007	1,629	261	86.2%	76	1,966	363	554	2,883	855	3,738
May 2007	1,631	257	86.4%	85	1,973	362	567	2,902	846	3,748
Jun 2007	1,646	272	85.8%	66	1,984	357	566	2,907	863	3,770
Jul 2007	1,664	277	85.7%	51	1,992	353	558	2,903	882	3,785
Aug 2007	1,651	275	85.7%	61	1,987	349	570	2,906	885	3,791
Sep 2007	1,645	275	85.7%	70	1,990	346	566	2,902	899	3,801
Oct 2007	1,640	275	85.6%	80	1,995	342	569	2,906	907	3,813
Nov 2007	1,641	275	85.6%	92	2,008	339	572	2,919	906	3,825
Dec 2007	1,647	293	85.6%	74	2,014	332	581	2,927	923	3,850
Jan 2008	1,681	283	85.6%	64	2,028	339	578	2,945	917	3,862
Feb 2008	1,675	281	85.6%	73	2,029	329	592	2,950	921	3,871
Mar 2008	1,674	278	85.8%	82	2,034	326	602	2,962	919	3,881
<u>Current Month</u>										
Apr 2008	1,672	274	85.9%	91	2,037	323	600	2,960	928	3,888

^a Beginning in July 2001, newly hired FERS employees not yet eligible for agency automatic or matching contributions were permitted to make employee contributions.

^b Beginning in January 2002, members of the uniformed services were permitted to make employee contributions.

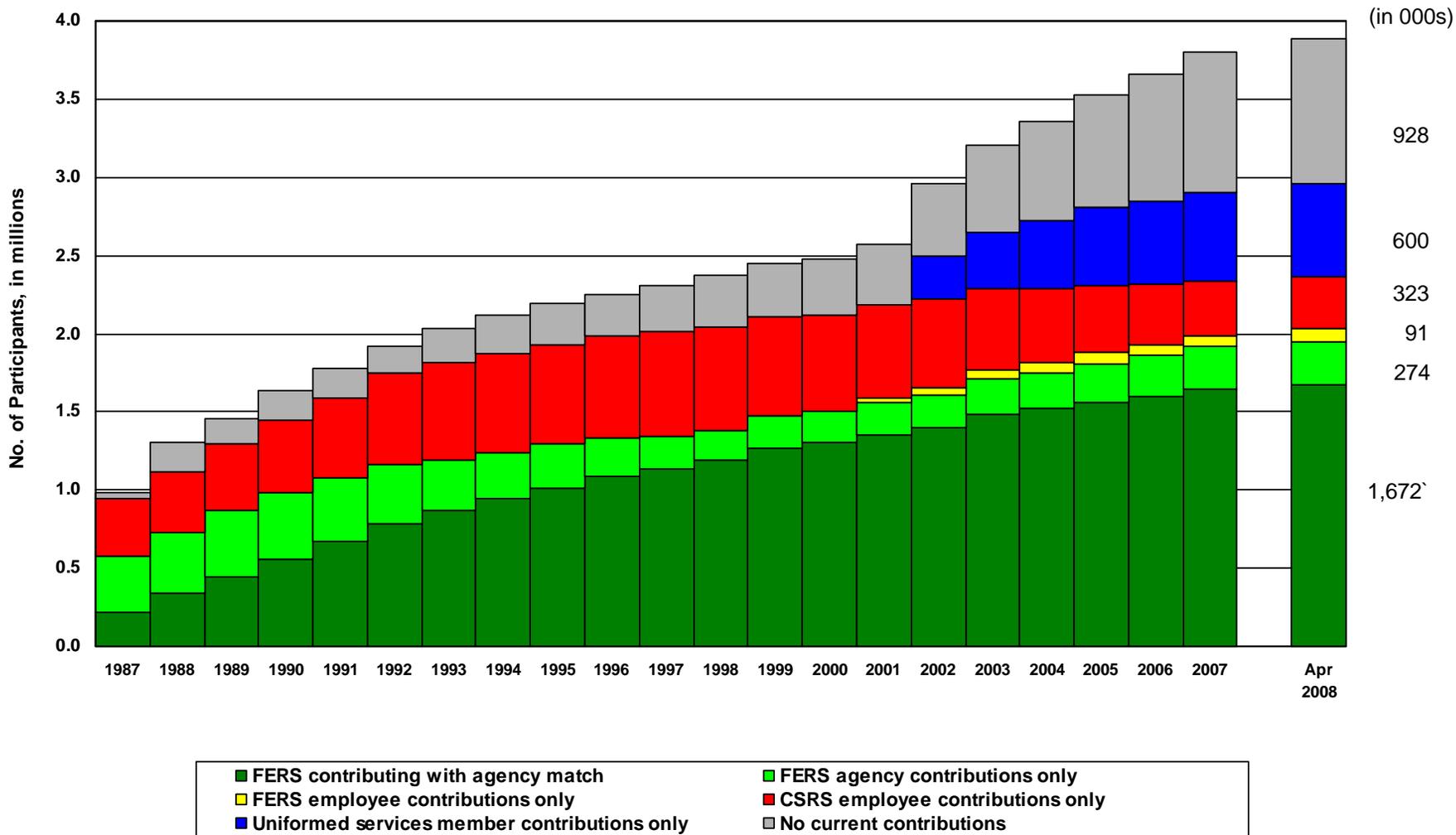
^c Participants with no contributions includes dormant FERS accounts, non-separated CSRS and uniformed services participants who have terminated contributions, and separated participants.

Totals may not add due to rounding.

**THRIFT SAVINGS PLAN PARTICIPATION
UNIFORMED SERVICES**

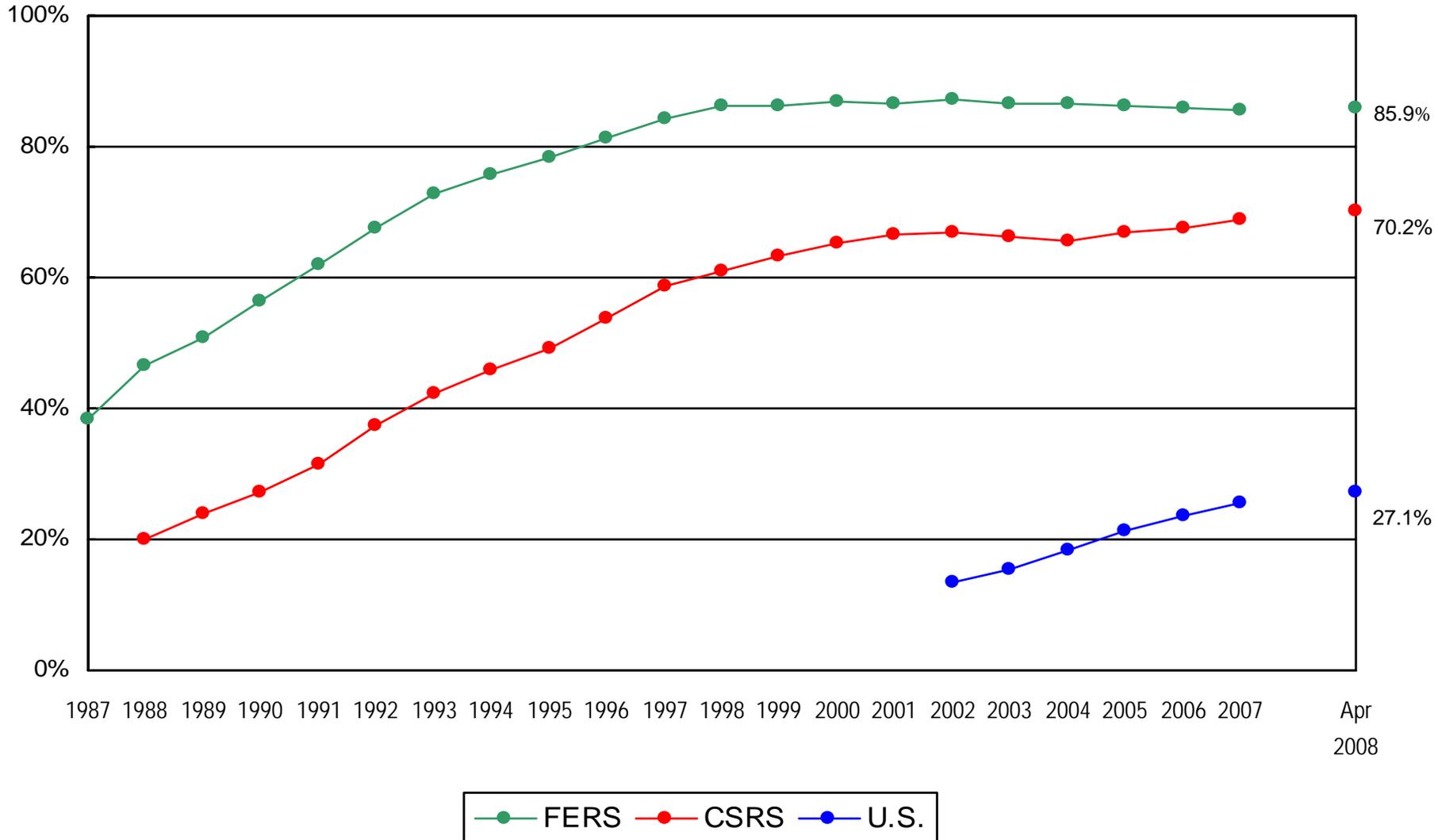
Service/ Component	Number Contributing in March 2008	Participation Rate	Number Contributing in April 2008	Participation Rate
Active Duty	494,242	35.8%	498,389	36.1%
Army	124,106	26.0%	126,137	26.4%
Navy	178,010	51.9%	178,428	52.0%
Marine Corps	61,497	35.4%	61,979	35.7%
Air Force	114,012	33.5%	115,063	33.8%
Coast Guard	12,362	30.3%	12,500	30.7%
Public Health Service	4,059	68.0%	4,087	68.5%
National Oceanic & Atmospheric Administration	196	67.1%	195	66.8%
Ready Reserve	107,338	12.9%	101,908	12.2%
Army	60,669	11.4%	56,176	10.6%
Navy	5,766	8.0%	4,929	6.8%
Marine Corps	3,404	8.6%	3,434	8.7%
Air Force	36,422	20.1%	36,294	20.0%
Coast Guard	1,077	13.4%	1,075	13.4%
Totals	601,580	27.2%	600,297	27.1%
Army	184,775	18.3%	182,313	18.1%
Navy	183,776	44.2%	183,357	44.1%
Marine Corps	64,901	30.4%	65,413	30.7%
Air Force	150,434	28.8%	151,357	29.0%
Coast Guard	13,439	27.6%	13,575	27.8%
Public Health Service	4,059	68.0%	4,087	68.5%
National Oceanic & Atmospheric Administration	196	67.1%	195	66.8%

Thrift Savings Plan Participation



Annual data as of September of the respective year.

Thrift Savings Plan Participation Rates



Annual data as of September of the respective year.

Summary of the Thrift Savings Plan

August 2005



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Information beginning and ending with ★★★ is for members of the uniformed services only.

Contact Information

There are numerous sources of information about the Thrift Savings Plan (TSP or Plan).

The most up-to-date information about the Plan in general, and your account in particular, is on the TSP's Web site. You can also obtain limited information about the Plan and your account from the TSP's automated voice response system, the ThriftLine.

If you need clarification about the Plan's features or have additional questions about your account, your best resource while you are still employed by the

Federal Government is your agency or service. It is responsible for correcting or changing your personal TSP-related information and resolving any issues regarding your contributions and loan payments. If necessary, it will also be able to contact the TSP on your behalf.

If you are separated from Federal service, your primary resource is the TSP Service Office.

The Appendix can direct you to the best sources of information on specific topics.

TSP Web Site:

www.tsp.gov

ThriftLine:

1-TSP-YOU-FRST (1-877-968-3778)
(For calls outside the U.S., Canada, and most U.S. territories, use 404-233-4400.)

TSP Service Office:

TSP Service Office
P.O. Box 61500
New Orleans, LA 70161-1500

Telephone:

Call the ThriftLine to speak to a Participant Service Representative.
(7 a.m. – 9 p.m. eastern time)

Text Telephone (TDD):

1-TSP-THRIFT5 (1-877-847-4385)

TSP Service Office Fax:

504-255-5199

Welcome to the Thrift Savings Plan

Plan for your future . . .

Use the “Retirement Planning” calculator on the TSP Web site to estimate how much you will need to save each year to meet your retirement goals. You can also use the Web calculator, Projecting Your Account Balance, to see how your account can grow.

As a Federal employee or member of the uniformed services, you have the opportunity to participate in the Thrift Savings Plan (TSP).

If you are covered by the Federal Employees’ Retirement System (FERS), the TSP is one part of a three-part retirement package that also includes your FERS basic annuity and Social Security. If you are covered by the Civil Service Retirement System (CSRS) or are a member of the uniformed services, the TSP is a supplement to your CSRS annuity or military retired pay.

The TSP is a retirement benefit that is offered to employees of the U.S. Government. It is similar to “401(k)” plans available to many private sector employees. The purpose of the TSP is to give you the opportunity to participate in a long-term savings and investment plan.

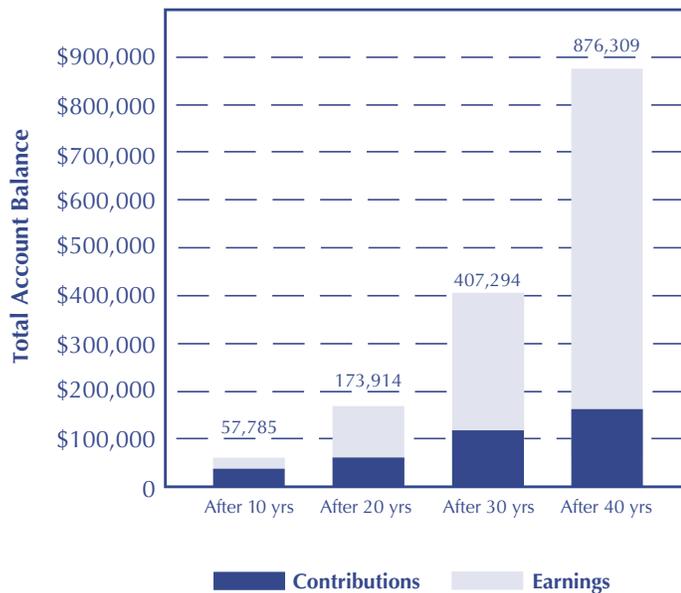
TSP benefits differ depending upon your retirement system (FERS, CSRS, or uniformed services). Therefore, if you are not certain which retirement system you belong to, you should check with your personnel or benefits office.

Saving for your retirement through the TSP provides numerous advantages, including:

Regardless of your retirement system, participating in the TSP can significantly increase your retirement income, but starting early is important. Contributing early gives the money in your account more time to increase in value through the compounding of earnings.

- before-tax contributions and tax-deferred investment earnings
- automatic payroll deductions
- low administrative and investment expenses
- a diversified choice of investment options, including professionally designed lifecycle funds
- agency contributions, if you are a FERS employee
- limited access to your money while you are still employed by the Federal Government
- a portable retirement account that can move with you when you retire or leave Federal service
- a variety of withdrawal options.

Earnings Potential of Your TSP Account*



* Information in this chart assumes a salary of \$40,000, employee and agency contributions of 5% each, and a 7% rate of return.

Are you a new participant?

Getting started:

1 Let your agency or service know how much of your pay you want to contribute by making a contribution election. (Page 2)

2 Verify the personal information contained in the “welcome” letter you receive from the TSP after your account is opened.

3 Look for your TSP Personal Identification Number (PIN) in the mail. You use it to access your TSP account on the TSP Web site and the ThriftLine.

4 Tell the TSP how you want your future contributions invested by making a “contribution allocation.” (Page 11)

5 Initial contributions will be invested in — and will remain in — the G Fund unless you make an “interfund transfer.” (Page 11)

6 If you wish, designate beneficiaries to receive your account in the event of your death. (Page 18)

Contributing to the TSP

There are three sources of TSP contributions:

- Employee Contributions
- Agency Automatic (1%) Contributions
- Matching Contributions

Employee Contributions

There are two types of employee contributions:

- Regular employee contributions
- Catch-up contributions

Regular Employee Contributions. These are payroll deductions that any eligible Federal civilian employee or member of the uniformed services can make from basic pay before taxes are withheld. You can begin making these contributions at any time.

Each pay period, your agency or service will deduct your contributions to the TSP from your pay in the amount you choose. Your agency or service will continue to do so until you make a new TSP election changing the amount of your contribution or stopping it.

Catch-Up Contributions. These are payroll deductions that participants who are age 50 or older may be eligible to make **in addition to** regular employee contributions. These deductions are also taken from before-tax basic pay. To be eligible to make catch-up contributions, you must already be contributing the maximum amount of employee contributions.

Once you are eligible, you can begin making catch-up contributions at any time. Each pay period, your agency or service will make your contributions to the TSP from your pay in the amount you choose.

Your catch-up contributions will stop automatically when you meet the IRS limit,

when the amount of the catch-up contributions you elected has been reached, or at the end of the calendar year, whichever comes first. You must make a new election for each calendar year.



If you are a member of the uniformed services, you can also contribute from 1 to 100 percent of any incentive pay, special pay, or bonus pay — as long as you elect to contribute from basic pay. However, you cannot contribute from allowances such as housing or subsistence.

You can elect to contribute from incentive pay, special pay, or bonus pay, even if you are not receiving any. These contributions will be deducted when you receive this type of pay.

If you are receiving tax-exempt pay (i.e., pay that is subject to the combat zone tax exclusion), your contributions from that pay will also be tax-exempt.

You cannot make catch-up contributions from tax-exempt pay, incentive pay, special pay, or bonus pay.



To begin, change, or stop your employee contributions, you must make a TSP contribution election. You should ask your personnel or benefits office if your agency or service handles TSP enrollment with paper forms or electronically through automated systems such as myPay, PostalEASE, or Employee Self-Service.

If you need to submit a paper request, use Form TSP-I for regular employee contributions and Form TSP-I-C for catch-up contributions. (Members of the uniformed services should use the “U” version of these forms.) You can obtain copies of these forms from the TSP Web site or from your agency or service. Return your completed form to your agency or service.

Whether you submit your contribution election electronically or use a paper form, the election should be effective no later than the first full pay period after your agency or service receives it.

Agency Automatic (1%) Contributions

If you are a FERS employee, your agency will contribute an amount equal to one percent of the basic pay you earn each pay period to your account. These contributions are called Agency Automatic (1%) Contributions. To get these contributions, you do not need to be making employee contributions. However, new FERS employees (and rehired FERS employees who were not previously eligible for agency contributions) must serve a waiting period before becoming eligible for agency contributions. See the chart for more information on the eligibility dates for these contributions.

Agency Automatic (1%) Contributions are not taken out of your pay; nor do they decrease the dollar amount of your pay for income tax or Social Security purposes.

Vesting. Agency Automatic (1%) Contributions are subject to “vesting.” You become “vested” in (that is, entitled to keep) these contributions and any earnings they accrue only after you have completed a time-in-service requirement — which is 3 years for most FERS employees and

2 years for FERS employees in Congressional and certain noncareer positions. All Federal civilian service counts toward vesting — not just service while you are a TSP participant.

The date your vesting period begins is determined by your TSP Service Computation Date (TSP-SCD), which your agency reports to the TSP record keeper. If you are a FERS participant, you can check your TSP-SCD on your quarterly TSP participant statements. The date will never be earlier than January 1, 1984.

If you leave Government service before satisfying the vesting requirement, the Agency Automatic (1%) Contributions and their earnings will be forfeited to the TSP. If you die before separating from service, you automatically become vested in all the money in your TSP account.

Note: You are immediately vested in your own contributions and in any earnings they accrue. If you are receiving Matching Contributions, you are also immediately vested in those contributions and any earnings they accrue.

Matching Contributions

FERS employees receive matching contributions from their agencies on their regular employee contributions as soon as they become eligible for agency contributions.

Eligibility Dates for Agency Automatic and Matching Contributions

If your FERS employment begins:	Your agency contributions will begin the first full pay period in:
12/1/04 — 5/31/05	December 2005
6/1/05 — 11/30/05	June 2006
12/1/05 — 5/31/06	December 2006
6/1/06 — 11/30/06	June 2007
12/1/06 — 5/31/07	December 2007

Submitting a contribution election:

Make certain that you submit your completed contribution election form to your agency or service. Only your agency or service can process contribution elections because it is responsible for paying you — and contributions **must** be deducted from your pay.

To verify the amount you are contributing each pay period, check your pay and leave statement.

Transferring to another agency or service?

Be sure to notify your new personnel/payroll office that you have been contributing to the TSP. This will help ensure that your contributions (and any loan payments) can continue without interruption.

If contributions do not start in a timely manner, it is your responsibility to notify your agency or service. If you do not do so, it is possible that you will not be able to make up all missed contributions.

Don't throw away free money!

If you are a FERS employee, your agency matches your contributions — up to 4% if you contribute 5%. This is free money.

And, if you add the Agency Automatic (1%) Contribution, you double your investment instantly.

If you are a FERS participant, you receive Matching Contributions on the first five percent of pay that you contribute each pay period. The first three percent of pay that you contribute will be matched dollar-for-dollar; the next two percent will be matched at 50 cents on the dollar. Contributions above five percent will not be matched. If you stop making regular employee contributions, your Matching Contributions will also stop.

Like Agency Automatic (1%) Contributions, Matching Contributions are not taken out of your pay. They also do not increase the dollar amount of your pay for income tax or Social Security purposes. Combined with the Agency Automatic (1%) Contribution, they can add as much as five percent of basic pay to your TSP account. (See the chart below.)

Note: CSRS participants do not receive matching contributions. There are no matching contributions for catch-up contributions.



Currently, members of the uniformed services do not receive matching contributions. However, the law that extended participation in the TSP to members of the uniformed services allows the secretary of each individual service to designate particular critical specialties as eligible for matching contributions under certain circumstances. At the time of this writing, no critical specialties had been designated.



Agency Contributions to Your Account (FERS Employees Only)

You put in:	Your agency puts in:		And the total contribution is:
	Automatic (1%) Contribution	Agency Matching Contribution	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your contribution + 5%

Tax Advantages

You receive a number of tax benefits when you participate in the TSP:

- **Contributions in “before-tax” dollars.** The money you contribute to the TSP is taken out of your pay each pay period before Federal (and, in almost all cases, state) income taxes are calculated. As a result, the amount of pay used to calculate your taxes is reduced, so less money is withheld from your pay for taxes.

Before-Tax Savings Through the TSP	
Annual pay (<i>taxable income</i>)	\$40,000
Minus TSP contributions (5% of \$40,000)	– 2,000
Net taxable income	38,000
Minus estimated Federal income tax at 25%	– 4,121
Net spendable income	\$33,879

After-Tax Savings Outside the TSP	
Annual pay (<i>taxable income</i>)	\$40,000
Minus estimated Federal income tax at 25%	– 4,621
Net income after taxes	35,379
Minus savings (<i>no tax advantage</i>) (5% of \$40,000)	– 2,000
Net spendable income	\$33,379

The Difference

If you contributed before-tax money to the TSP, you would have **\$500 more in your pocket.**

$$(\$33,879 - \$33,379 = \$500)$$

If you pay taxes at a higher rate than 25%, the advantage of before-tax contributions to the TSP will be even greater.

- **“Tax-deferred” earnings.** You defer paying Federal income tax on the earnings that your account accrues over the years. Generally, the longer you keep your money in the TSP, the more earnings you accrue and the more you benefit from tax-deferred savings.
- **Saver’s Tax Credit.** This credit is available to participants with an adjusted gross income of no more than \$50,000 if married filing jointly, \$37,500 if head of household, or \$25,000 if single or married filing separately. If you participate in the TSP during tax years 2002 through 2006, you may be eligible for up to \$1,000 on your Federal income tax return for each year you contribute.

For more information about this tax credit, consult your tax advisor or refer to Internal Revenue Service (IRS) Publication 553.

Tax Liability

When you withdraw your money from the TSP, you will owe tax on the contributions and earnings that have accrued. However, you will most likely pay those taxes after you retire, when your income, and consequently your tax bracket, may be lower.

In addition to the regular income tax you will have to pay on money you withdraw from the TSP, you may also be subject to an early withdrawal penalty tax of 10%. The early withdrawal penalty tax and the exceptions that apply to it are explained in the TSP tax notice “Important Tax Information About Payments From Your TSP Account” which is available from the TSP Web site.

The tax rules that apply to distributions from the TSP and other tax-deferred plans are complex and you may also want to consult with a tax advisor or the IRS before you make any withdrawal decisions.

The early withdrawal penalty tax:

If you leave before the year you turn 55, you *may* be subject to the 10% early withdrawal penalty tax.

Participants who generally retire early — such as air traffic controllers, law enforcement officers, firefighters, members of the uniformed services, and Foreign Service personnel — will need to consider the early withdrawal penalty tax when planning withdrawals from their TSP accounts.

Don't lose out on Matching Contributions!

If you are a highly paid FERS employee or you participate in the TSP as a FERS employee and as a member of the uniformed services, your contributions may cause you to reach the IRS limit before the end of the year. This means that you could lose out on some Agency Matching Contributions. See the TSP Fact Sheet, Annual Limit on Elective Deferrals, for more details.

Contribution Limits

Both the IRS and the TSP place limits on the amount of contributions that can be made to the TSP. Beginning in 2006, however, the TSP contribution limits will be eliminated and only the IRS limits will apply. (See the chart below.)

The IRS elective deferral limit is a limit that the IRS places on regular employee contributions to retirement plans such as the TSP. The elective deferral limit applies only to regular employee contributions that are made in before-tax (i.e., tax-deferred) dollars.

The IRS section 415 limit is an additional limit that the IRS imposes on the total amount of **all** contributions made to eligible retirement plans in a year. "All contributions" include employee contributions (both tax-deferred and tax-exempt), Agency Automatic (1%) and Matching Contributions, and similar contributions made to **other** eligible retirement plans.

For 2005, the IRS Section 415 limit is \$42,000 or 100% of compensation, whichever is less.

The IRS catch-up contribution limit is the maximum amount of catch-up contributions that can be contributed in a given year. It is separate from the elective deferral limit imposed on regular employee contributions.



The elective deferral limit does not apply to contributions made from the tax-exempt pay a member of the uniformed services may receive. If you are a member of the Ready Reserve who is contributing to both a uniformed services and a civilian TSP account as a FERS employee, this limit applies to the total amount of tax-deferred employee contributions you make in a calendar year.

If you are a member of the uniformed services and have two TSP accounts, or if you are participating in other eligible plans, you need to pay particular attention to the Section 415 limit.



Contribution Limits

Year	TSP Limit on Regular Contributions		IRS Limits*		
	FERS	CSRS and Uniformed Services	Elective Deferral Limit on Regular Contributions**	Limit on Catch-Up Contributions	Section 415 Limit
Through December 2005	15%	10%	\$14,000	\$4,000	\$42,000 or 100% of compensation
2006 and thereafter	Limits eliminated		\$15,000	\$5,000	Not announced

* These amounts can change annually.

** For uniformed services participants, this includes all tax-deferred contributions from basic pay, incentive pay, special pay, and bonus pay.

Moving Money From Other Plans Into the TSP

The TSP can accept transfers and rollovers of eligible distributions from a traditional IRA or another eligible employer plan. This is a way for you to consolidate a 401(k) or similar plan account from a prior employer with your TSP account.

There are two ways to move money from an IRA or another eligible plan into the TSP:

- (1) **Transferring money directly into the TSP.** You can have your IRA or plan send all or part of the money directly to the TSP. This is referred to as a “**transfer**” (or “direct rollover”); or
- (2) **Rolling money over to the TSP.** You can receive the money from your IRA or plan and put it into the TSP yourself. This is referred to as a “**rollover**.” If you decide to do a rollover, you will have **60 days** to complete it, beginning on the date when you receive the funds. You may roll over all or part of the money you receive. However, your IRA or former plan should have withheld the appropriate amount for taxes when it sent the money to you. Therefore, if you want to roll over the **entire** amount of the distribution, you will have to make up the difference (i.e., the amount withheld for taxes) from your own funds. Any amount that you do not roll over will be subject to Federal tax.

Your transfer or rollover will be invested in the TSP according to your latest contribution allocation (not the way money already in your account is invested).

Money you move into the TSP from an IRA or another eligible plan is not subject to any contribution limits.

The money you move into the TSP, and the associated earnings, will be subject to income tax when you eventually withdraw your TSP account.

Restrictions. The conditions under which the TSP will accept a transfer or a rollover are strict.

- The money must be considered an “eligible rollover distribution” for Federal income tax purposes. (Verify this by checking with your tax advisor or the administrator of the plan from which you are moving the money.)
- The TSP will only accept “before-tax” money from IRAs and eligible employer plans.
- You can transfer money into the TSP only if you have an open TSP account (and are not receiving monthly payments from it).
- You cannot open a TSP account by transferring money into it.

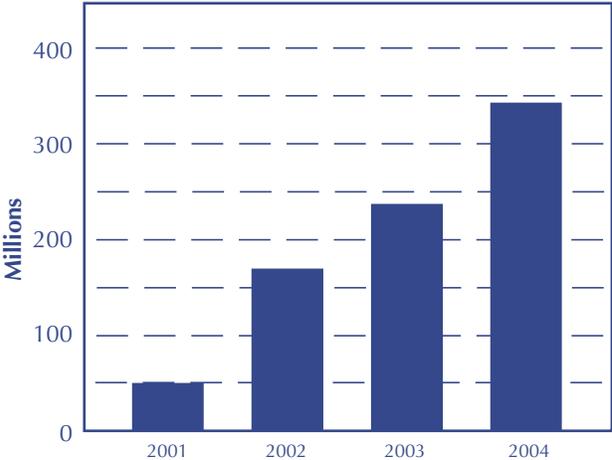
Note: The money you move into the TSP will not be posted to your account until the TSP record keeper receives a properly completed Form TSP-60, Request for Transfer Into the TSP.

Moving money from an IRA or another plan into the TSP?

Make sure you (or your IRA or plan) provide your name and Social Security number (SSN) on or with the check.

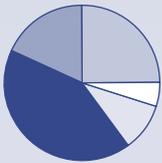
If the TSP cannot identify a check it receives, the check will not be deposited into the TSP participant’s account; instead, the money will be returned to the initiator of the check.

Rollovers and Transfers Into the TSP

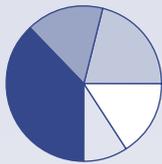


The figures for 2001 are from July 1 – December 31, 2001.

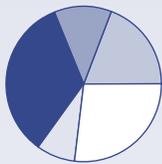
Initial L Fund Allocations



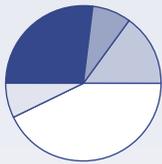
L 2040



L 2030



L 2020



L 2010



L Income

- G Fund
- F Fund
- C Fund
- S Fund
- I Fund

Investing in the TSP

The TSP offers you two approaches to investing your money:

- **The L Funds** — These are “lifecycle” funds that are invested according to a professionally designed mix of stocks, bonds, and Government securities. You select your L Fund based on your “time horizon,” which is when you will need the money after you leave Federal service.
- **Individual Funds** — You make your own decisions about your investment mix by choosing from any or all of the individual TSP investment funds (G, F, C, S, and I).

These investment options are designed so you can choose either the L Fund that is appropriate for your time horizon, or a combination of the individual TSP funds that will support your personal investment strategy. However, you may invest in any fund or combination of funds. Because the L Funds are already made up of the five individual funds, you will duplicate your investments if you invest simultaneously in an L Fund and the individual TSP funds.

The L Funds

The L Funds are designed for participants who may not have the time, experience, or interest to manage their TSP retirement savings.

The five **L Funds** are:

L 2040 — For participants who will need their money in the year 2035 or later.

L 2030 — For participants who will need their money between 2025 and 2034.

L 2020 — For participants who will need their money between 2015 and 2024.

L 2010 — For participants who will need their money between 2008 and 2014.

L Income — For participants who are already withdrawing their accounts in monthly payments or who expect to begin withdrawing by 2008.

The assumption underlying the L Funds is that participants with longer investment time horizons are able to tolerate more risk while seeking higher returns. The funds automatically adjust to reflect a lower tolerance for risk as the investment time horizon approaches.

Each L Fund invests in a mix of the five individual TSP funds. The mix is chosen by experts based on each fund’s time horizon. The L Funds are designed to achieve the best expected return for the least amount of risk. If the time horizon is a long time from now, the L Fund will be more heavily weighted toward stocks (C, S and I Funds). As that fund’s time horizon approaches, the allocation will gradually shift towards Government securities and bonds (G and F Funds).

The L Income Fund is designed to preserve your account balance while protecting against inflation.

Here are the initial investment mixes for each L Fund:

Initial Asset Allocations for L Funds

	L 2040	L 2030	L 2020	L 2010	L Income
G	5%	16%	27%	43%	74%
F	10%	9%	8%	7%	6%
C	42%	38%	34%	27%	12%
S	18%	16%	12%	8%	3%
I	25%	21%	19%	15%	5%

Each L Fund is automatically rebalanced each business day to restore the fund to its intended investment mix. Each quarter,

the fund's asset allocation is adjusted to slightly more conservative investments. When an L Fund reaches its time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

Investing in the L Funds does not eliminate risk and the funds are not guaranteed against loss. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.

The Individual Funds

The TSP has five individual investment funds:

The Government Securities Investment (G) Fund — The G Fund is invested in short-term U.S. Treasury securities. It gives you the opportunity to earn rates of interest similar to those of long-term Government securities with no risk of loss of principal. Payment of principal and interest is guaranteed by the U.S. Government. Interest on the G Fund has historically outpaced inflation and 90-day Treasury (T-Bill) rates.

The Fixed Income Index Investment (F) Fund — The F Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) index. This is a broad index representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market. This fund offers you the opportunity to earn rates of return that exceed money market fund rates over the long term (particularly during periods of declining interest rates).

The Common Stock Index Investment (C) Fund — The C Fund is invested in a stock index fund that tracks the Standard & Poor's (S&P) 500 stock index. This is a broad market index made up of the stocks of 500 large to medium-sized U.S. companies. It offers you the potential to earn high investment returns over the long term.

The Small Capitalization Stock Index (S) Fund — The S Fund is invested in a stock index fund that tracks the Dow Jones Wilshire 4500 Completion (DJW 4500) index. This is a broad market of small and medium-sized U.S. companies that are not included in the S&P 500 index. It offers you the opportunity to earn potentially higher investment returns over the long term than you would in the C Fund, but with greater volatility.

International Stock Index Investment (I) Fund — The I Fund is invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) index. This is a broad international market index, made up of primarily large companies in 21 developed countries. It gives you the opportunity to invest in the international market with the potential to earn high investment returns over the long term.

The chart on page 10 compares these five funds and provides more information about each.

Because the TSP funds are trust funds that are regulated by the Office of the Comptroller of the Currency and not by the Securities and Exchange Commission (SEC), they do not have ticker symbols (i.e., unique identifiers assigned to securities (including mutual funds) registered with the SEC). You can, however, obtain additional information about the underlying indexes that certain TSP funds track by visiting the following Web sites:

TSP Fund	Index TSP Fund Tracks
F Fund	Lehman Brothers U.S. Aggregate bond index (www.lehman.com)
C Fund	Standard & Poor's 500 stock index (www.standardandpoors.com)
S Fund	Dow Jones Wilshire 4500 Completion stock index (www.wilshire.com or www.djindexes.com)
I Fund	Morgan Stanley Capital International EAFE stock index (www.msci.com)

Not comfortable with your own level of experience?

Put your investments on cruise control.

- 1 Choose the L Fund with the time horizon closest to the year you anticipate withdrawing your account.
- 2 Make a contribution allocation and/or interfund transfer to invest your contributions in that L Fund.
- 3 Let the L Fund do the rest for you.

Managing Your Investments

Remember that your retirement strategy may change. Periodically, check the way you are investing in the TSP.

Also, if you're taking charge of your own investments, remember to rebalance your account to keep your investments in line with your strategy.

Comparison of the TSP Funds

The chart below provides a comparison of the available TSP Funds. For **more detailed information** about each fund, obtain a copy of the **TSP Fund Information Sheets** (available on the TSP Web site, from your agency or service, or from the TSP Service Office).

	G Fund	F Fund*	C Fund*	S Fund*	I Fund*	L Funds**
Description of Investments	Government securities (specially issued to the TSP)	Bonds	Stocks of large and medium-sized U.S. companies	Stocks of small to medium-sized U.S. companies (not included in the C Fund)	International stocks	Invested in the G, F, C, S, and I Funds
Objective of Fund	To obtain long-term Treasury rates without risk of loss	To match the performance of the Lehman Brothers U.S. Aggregate (LBA) index	To match the performance of the S&P 500 index	To match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) index	To match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) index	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds
Risk (See page 11)	Inflation risk	Market risk Credit risk Prepayment risk Inflation risk	Market risk Inflation risk	Market risk Inflation risk	Market risk Currency risk Inflation risk	Risk based proportionally on risk in underlying funds
Volatility	Low	Low to moderate	Moderate	Moderate to high — historically more volatile than C Fund	High — historically more volatile than C or S Funds	Diversification reduces volatility as time horizon approaches
Types of Earnings	Interest	Change in market prices Interest	Change in market prices Dividends	Change in market prices Dividends	Change in market prices Change in relative value of currency Dividends	Composite of earnings in the underlying funds
Earnings*** as of 12/31/04						
1 Year	4.3%	4.3%	10.8%	18.0%	20.0%	N/A
5 Year	5.0%	7.7%	-2.3%	N/A	N/A	
10 Year	5.7%	7.7%	12.0%	N/A	N/A	
from Inception	6.7%	7.7%	12.1%	8.5%	4.5%	
Inception Date	April 1, 1987	Jan. 29, 1988	Jan. 29, 1988	May 1, 2001	May 1, 2001	August 1, 2005
Cost to participant (i.e., expenses)	.06% (6 basis points) \$.60 per \$1,000 of account balance	.05% (5 basis points) \$.50 per \$1,000 of account balance	.06% (6 basis points) \$.60 per \$1,000 of account balance	.06% (6 basis points) \$.60 per \$1,000 of account balance	.06% (6 basis points) \$.60 per \$1,000 of account balance	Based on costs of underlying funds

* The F, C, S, and I Funds also have earnings from securities lending income and from temporary investments in G Fund securities. These amounts represent a very small portion of total earnings.

** Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

*** Earnings are calculated after administrative expenses are deducted. There is no guarantee that future rates of return for any fund will replicate historical rates.

Fund Risks

There are various types of risk associated with the TSP funds. There is no risk of investment loss in the G Fund. However, investment losses can occur in the F, C, S, and I Funds. Because the L Funds are invested in the individual TSP funds, they are also subject to the risk of these underlying funds. The types of risk include:

- **Credit risk** — The risk that a borrower will default on a scheduled payment of principal and/or interest. This risk is present in the F Fund.
- **Currency risk** — The risk that the value of a currency will rise or fall relative to the value of other currencies. Currency risk occurs with investments in the I Fund because of fluctuations in the value of the U.S. dollar in relation to the currencies of the 21 countries in the EAFE index.
- **Inflation risk** — The risk that your investments will not grow enough to offset the effects of inflation. This risk is present in all five funds.
- **Market risk** — The risk of a decline in the market value of the stocks or bonds. This risk is present in the F, C, S, and I Funds.
- **Prepayment risk** — A risk associated with the mortgage-backed securities in the F Fund. During periods of declining interest rates, homeowners may refinance their high-rate mortgages and prepay the principal. The F Fund must reinvest the cash from these prepayments in current bonds with lower interest rates, which lowers the return of the fund.

Contribution Allocations and Interfund Transfers

There are two types of investment transactions you can make:

- A contribution allocation
- An interfund transfer

Contribution Allocations. A contribution allocation specifies the way you want to invest the new money that goes into your TSP account. You may make a contribution allocation at any time.

Your contribution allocation will apply to all future contributions to your account. These include: employee contributions; agency contributions you receive if you are a FERS employee; any special pay, incentive pay, or bonus pay that you contribute if you are a member of the uniformed services; any money you move into the TSP from other retirement plans; and any TSP loan payments. Your contribution allocation will not affect money that is already in your account.

Your contribution allocation will remain in effect until you submit another contribution allocation.

Interfund Transfers. An interfund transfer moves the money already in your account among the TSP investment funds. When you make an interfund transfer, you choose the new percent you want invested in each fund. You cannot move a specific dollar amount among the funds.

Making a contribution allocation or interfund transfer. You can make either of these transactions at any time on the TSP Web site or the ThriftLine. You can also submit an Investment Allocation form (TSP-50, or TSP-U-50 if you are a member of the uniformed services) to the TSP.

To make a contribution allocation or interfund transfer on the TSP Web site or the ThriftLine, you will need your 4-digit Personal Identification Number (PIN). (See page 19.) A contribution allocation or interfund transfer made on the TSP Web site or the ThriftLine by 12 noon eastern time is generally processed on the next business day. A contribution allocation or interfund transfer made by submitting an Investment Allocation form will generally take effect within 2 business days of the date the TSP **receives** the form.

What is the difference between a contribution allocation and an interfund transfer?

A “contribution allocation” tells the TSP where to invest the new money it receives from you or your agency. It does not affect the investment of money that is already in your account.

An “interfund transfer” tells the TSP to move money that is already in your account among the different TSP funds. It does not affect the investment of future deposits.

The Web and the ThriftLine are the most efficient ways to make contribution allocations or interfund transfers.

When a little can mean a lot:

Costs are important in saving for your retirement. Even small differences in expenses can, over time, have a dramatic effect on a fund's performance (and the size of your account).

Confirmation of Transaction. You will receive a confirmation of your contribution allocation or interfund transfer in the mail. If you make your request on the Web site, you will have the option of receiving your confirmation via e-mail.

Administrative Expenses

TSP expenses (i.e., the cost of administering the program) include management fees for each investment fund and the costs of operating and maintaining the TSP's record keeping system, providing participant services, and printing and mailing publications.

These expenses are paid from the forfeitures of Agency Automatic (1%) Contributions of FERS employees who leave Federal service before they are vested, and — because those forfeitures are not sufficient to cover all of the TSP's expenses — earnings on participants' accounts.

The effect of administrative expenses (after forfeitures) on the earnings of the G, F, C, S, and I Funds is measured by the expense ratio of each fund. The expense ratio for a fund is the total administrative expenses charged to that fund during a specific period, divided by that fund's average balance for that period.

The administrative expenses associated with the L Funds are those associated with the underlying G, F, C, S, and I Funds, calculated in proportion to their allocations in each L Fund. The L Funds do not have any additional charges.

Your share of TSP net administrative expenses is based on the size of your account balance. For example, the G Fund's expense ratio for 2004 was .06 percent. Therefore, if you invested in the G Fund in 2004, earnings were reduced by \$.60 per \$1,000 of your G Fund balance.

The following chart shows the expense ratios for each of the TSP funds over the last 10 years.

Administrative Expenses

Year	G Fund	F Fund	C Fund	S Fund	I Fund
1995	.09%	.11%	.10%	—	—
1996	.08%	.10%	.09%	—	—
1997	.07%	.08%	.07%	—	—
1998	.06%	.08%	.07%	—	—
1999	.05%	.07%	.06%	—	—
2000	.05%	.07%	.06%	—	—
2001	.06%	.06%	.06%	.05%*	.05%*
2002	.06%	.06%	.07%	.07%	.07%
2003**	.10%	.10%	.10%	.10%	.10%
2004	.06%	.05%	.06%	.06%	.06%

* The 2001 expense ratios for the S and I Funds are for the period beginning May 2001 (the inception of the S and I Funds) through December 2001.

** The expense ratios for 2003 include the net result of the Agency's settlement of litigation resulting from a termination of its contact with American Management Systems, Inc.

TSP Loans and Withdrawals

Because the purpose of the TSP is to help you save money for your retirement, there are rules that restrict when and how you may take money out of your account while you are still employed.

Once you leave Federal service, however, you can take your money out at any time. However, if you make a withdrawal before you reach age 59½, the IRS may impose a tax penalty on the disbursement.

There are three ways to get your money out of the TSP:

- A loan
- An in-service withdrawal
- A post-separation withdrawal (i.e., a withdrawal after you separate from service)

Loans

Loans are available only to participants who are actively employed, who are in pay status, and who have contributed their own money to the TSP.

When you take a loan, you are borrowing your own contributions and the earnings on those contributions. When your loan is approved, the amount of the loan is removed from your TSP account. As you repay your loan, your loan repayments restore the amount of your loan, plus interest, to your account.

Cost of Taking a Loan. You repay your loan with interest. The interest rate is the interest rate for the G Fund at the time your loan application is processed.

The TSP also charges a processing fee of \$50 for each loan. This fee is used to cover the cost of processing and servicing your loan. It is **deducted from the amount** of the loan that you receive.

Before you take a loan, consider that your loan costs are not limited to the interest and fee that you pay. The cost of a loan can be much more substantial. When you borrow from your account, you miss out on the earnings that might have accrued on the money you borrowed. Even though you must pay the money back to your account with interest, the interest may be less than what you might have earned if you had kept the money in the TSP.

Types of Loans. There are two types of TSP loans:

- A general purpose loan
- A loan for the purchase or construction of a primary residence

You can have only one general purpose and one residential loan outstanding at a time.

Loan amount. The total amount that you borrow is limited to your own contributions and the earnings on those contributions. You cannot borrow less than \$1,000 or more than \$50,000. You can find out the amount you may be eligible to borrow from your TSP account by visiting the TSP Web site or calling the ThriftLine. You can also use the Loan Calculator on the TSP Web site to estimate your loan payment amount before you request a loan.

Documentation. You do not need to provide any type of documentation for a general purpose loan. However, you will need to provide documentation for a residential loan.

Waiting period between loans. You must wait 60 days from the time you pay off one loan until you are eligible to request another loan of the same type.

Considering a loan?

Consider carefully its impact on your TSP account. (See “Cost of Taking a Loan” and the TSP booklet *Loans*.) You should borrow from your retirement account only after you have exhausted all your other options.

Want to make additional payments or make up missed payments?

You can send extra payments directly to the TSP to pay off your loan sooner or to make up missed payments. To ensure that your payments are properly identified, be sure you put your Social Security number and loan number on your payment and attach a Loan Payment Coupon. The coupon is available from the TSP Web site or the TSP Service Office.

Considering an in-service withdrawal?

An in-service withdrawal permanently depletes your retirement savings because you cannot pay this amount back (as you can with a loan).

Be sure you understand the consequences of an in-service withdrawal **before** you take money out of your account.

Read the TSP booklet *In-Service Withdrawals* for more information.

Repaying a loan. Loan repayments are made through payroll deductions. They are deducted from your pay each pay period in the amount on your Loan Agreement.

You can make additional payments or pay off your loan early by check or money order. You can also reamortize your loan to change the amount of your payment, number of payments, or repayment period.

You must repay your general purpose loan within 5 years. Residential loans must be repaid within 15 years.

Consequences of failing to repay your loan. If you do not repay your loan after you separate from service, or if you fail to repay your loan in accordance with your Loan Agreement, the TSP will report a taxable distribution to the IRS and you may owe income taxes on the balance of the loan as well as an early withdrawal penalty.

Spouses' rights. If you are a married FERS or uniformed services participant, your spouse must consent to your loan by signing the Loan Agreement. If you are a married CSRS participant, your spouse will be notified of your loan. These rules apply even if you are separated from your spouse.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Getting information. For a detailed explanation of the TSP loan program, your obligations if you take a loan, and the consequences of not repaying a loan, read the TSP booklet *Loans*. (See Appendix.)

For information about a specific loan, you can check your pay and leave statement, the TSP Web site, or the ThriftLine, or contact the TSP Service Office.

In-Service Withdrawals

In-service withdrawals (i.e., withdrawals from your account while you are still employed) are available to all active participants. The TSP does not charge a fee for making an in-service withdrawal. However, the overall impact on your retirement savings may be significant.

Consequences of Making an In-Service Withdrawal. When you make an in-service withdrawal, you are removing money from your account forever. It **cannot** be put back or repaid to your account. This means that you permanently deplete your retirement savings by the amount of the withdrawal and any future earnings you would have accrued on that money. You must pay Federal income tax on the withdrawal and you may also be subject to a 10% early withdrawal penalty tax. If you make a financial hardship in-service withdrawal, the overall impact can be even greater because you cannot contribute to the TSP for 6 months following your withdrawal. If you are a FERS employee, that means you will also not receive any Matching Contributions during that time.

Types of In-Service Withdrawals. There are two types of in-service withdrawals:

- An age-based in-service withdrawal
- A financial hardship in-service withdrawal

Age-based in-service withdrawal. You can take an age-based in-service withdrawal when you reach age 59½. At that time, you may withdraw part or all of your vested account balance. You can request a dollar amount of \$1,000 or more, or your entire account balance (even if it is less than \$1,000). You are allowed to make only one age-based in-service withdrawal. If you do so, you will not be eligible for a partial withdrawal of your account after you separate from service.

Financial hardship in-service withdrawal. You can make a financial hardship in-service withdrawal if you can certify, under penalty of perjury, that you have a financial hardship as a result of a recurring negative cash flow, legal expenses for separation or divorce, medical expenses, or a personal casualty loss. You may withdraw your contributions and any earnings those contributions have accrued. You can request \$1,000 or more; however, the amount that you request cannot exceed the actual amount of your certified financial hardship.

There is no limit to the number of financial hardship withdrawals you can have. However, each time you make a financial hardship withdrawal, you cannot make another one for 6 months.

Spouses' rights for in-service withdrawals. If you are a married FERS or uniformed services participant, your spouse must consent to your in-service withdrawal. If you are a married CSRS participant, the TSP must notify your spouse before an in-service withdrawal can be made. These rules apply even if you are separated from your spouse.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Taxes on in-service withdrawals. In-service withdrawals are subject to Federal income tax when they are paid. Financial hardship in-service withdrawals may also be subject to an early withdrawal penalty tax if you are younger than age 59½ when you make your withdrawal. For detailed information about the tax rules that apply to in-service withdrawals, see the TSP tax notice "Important Tax Information About Payments From Your TSP Account."

Getting information. For a detailed explanation of the TSP in-service withdrawal program, read the TSP booklet *In-Service Withdrawals*.

For information about a specific in-service withdrawal request, check the TSP Web site or the ThriftLine, or contact the TSP Service Office.

Withdrawals After You Separate

If your vested account balance is **\$200 or more** after you leave Federal service, you can leave your money in the TSP until later (see page 17, "Withdrawal deadline"), or you can withdraw your TSP account.

If your vested account balance is **less than \$200** when you leave Federal service, the TSP will automatically send you a check for the amount in your account. The check will be mailed to the address in your TSP account record. You cannot leave this money in the TSP or make any other withdrawal election.

Types of Post-Separation Withdrawals.

There are two types of post-separation withdrawals:

- A partial withdrawal
- A full withdrawal

Partial withdrawal. You can take out \$1,000 or more, and leave the rest in your account until you decide to withdraw it. You may make only one partial withdrawal from your account. If you made an age-based in-service withdrawal, you are not eligible for a partial withdrawal.

Ready to make a post-separation withdrawal?

Before you make a withdrawal, read the booklet *Withdrawing Your TSP Account After Leaving Federal Service* and the tax notice "Important Tax Information About Payments From Your TSP Account."

Need help estimating an annuity or monthly payments?

If you're considering monthly payments or a TSP annuity, you should compare these benefits to see which one best fits your situation. You can get help by visiting the "Calculators" section of the TSP Web site.

There are calculators to estimate the income you will receive from an annuity, and to determine how long monthly payments might last or how much you might receive each month (if you choose to receive payments based on life expectancy).

Full withdrawal. You can make a full withdrawal of your account using one — or any combination — of three withdrawal options available to you:

- A single payment
- A series of monthly payments
- A TSP life annuity

A single payment allows you to withdraw your entire TSP account at one time in one payment. It is sometimes referred to as a "lump sum."

Monthly payments allow you to withdraw your entire account in a series of payments. You can ask for a specific dollar amount each month or you can have the TSP calculate a monthly payment based on your life expectancy. If you choose a specific dollar amount, it must be at least \$25.

At any time while you are receiving monthly payments, you can ask the TSP to stop the monthly payments and pay you your remaining account balance in a single payment. Also, once a year, you will have the opportunity to make changes to the amount of the monthly payments you are receiving.

An annuity pays a benefit to you (or to your survivor) every month for life. The TSP purchases the annuity on your behalf from a private insurance company. You can have the TSP purchase an annuity with all or any portion of your account when you request a full withdrawal. The amount you use for purchase of an annuity must be \$3,500 or more. Once an annuity is purchased, it cannot be changed.

You have a choice of three basic annuity types:

- A *single life annuity* — paid only to you during your lifetime.
- A *joint life annuity with your spouse* — paid to you while you and your spouse are alive. When one of you dies, payments are made to the survivor for the rest of his or her life.
- A *joint life annuity with someone other than your spouse*, who has an insurable interest in you — paid to you while you and the person you choose are alive. When one of you dies, payments are made to the survivor for his or her life.

If you elect a joint annuity, you can choose between a 50% or 100% payment option to the survivor.

Some additional annuity features may also be available, depending on the basic annuity type you choose. You may be able to request "cash refund," "10-year certain," or "increasing payment" features. The available annuities and their features are explained in detail in the booklet *Withdrawing Your TSP Account After Leaving Federal Service*.

A mixed withdrawal allows you to combine any or all of the three withdrawal options. However, if you request a mixed withdrawal with an annuity, the percentage of your account used to purchase the annuity cannot equal a dollar amount of less than \$3,500.

Spouses' rights for post-separation withdrawals. If you are a married FERS or uniformed services participant, your spouse must consent to your **partial withdrawal**. If you are a married CSRS participant, the TSP must notify your spouse before a partial withdrawal can be made.

If your vested account balance at the time of your **full withdrawal** is more than \$3,500, your withdrawal will be subject to the rules regarding spouses' rights. These rules apply even if you are separated from your spouse:

- If you are a married FERS or uniformed services participant, your spouse is entitled to an annuity with a 50% survivor benefit, level payments (i.e., no increasing payment feature), and no cash refund feature. If you do not use your entire account balance to purchase that particular annuity, your spouse will have to waive his or her right to that annuity.
- If you are a married CSRS participant, the TSP must notify your spouse before it can make your withdrawal, regardless of which withdrawal option you choose.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Taxes on withdrawals. Withdrawal payments are subject to Federal income tax when they are paid. They may also be subject to an early withdrawal penalty tax if you are younger than age 59½ when you make your withdrawal. For detailed information about the tax rules that apply to post-separation withdrawals, you should read the TSP tax notice "Important Tax Information About Payments From Your TSP Account."

Getting information. For a detailed explanation of the TSP's post-separation withdrawal program, you should read the booklet *Withdrawing Your TSP Account After Leaving Federal Service*.

For specific information about your withdrawal request, you can check the TSP Web site or the ThriftLine, or contact the TSP Service Office.

Withdrawal deadline. By law, you must withdraw your entire account or begin receiving monthly payments by the TSP withdrawal deadline, which is April 1 of the year after you have reached age 70½ **and** are separated from Federal service. If you do not make an election, your account may be declared abandoned.

At the same deadline, you will also be subject to the IRS required minimum distribution rules. These rules require you to receive a certain portion of your account each year based on your life expectancy. The TSP will send you information about these rules if they apply to you.

For more information about the withdrawal deadline and the IRS required minimum distribution rules, you can read the TSP tax notice "Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions."

Deferring taxes after you withdraw:

Some withdrawals can be transferred from the TSP directly to a traditional IRA or other eligible employer plan. When this is done, you defer paying taxes until you withdraw the money from the IRA or eligible plan.

Read the tax notice "Important Tax Information About Payments From Your TSP Account" for more information and to find out which withdrawals can be transferred.

Is your beneficiary designation up to date?

If you submit a Designation of Beneficiary, review it when your personal situation changes.

Otherwise, in case of your death, the money in your account may not be distributed according to your wishes.

Death Benefits

In case of your death, your account will be distributed to the beneficiary or beneficiaries you designate on the TSP's Designation of Beneficiary form. If you do not designate beneficiaries to receive your account, it will be disbursed according to the following order of precedence required by law:

- To your widow or widower; if none,
- To your child or children equally, and to descendants of deceased children by representation; if none,
- To your parents equally or the surviving parent; if none,
- To the appointed executor or administrator of your estate; if none,
- To your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death.

For this order of precedence, a child includes a natural child and an adopted child, but does not include a stepchild who has not been adopted. A parent does not include a stepparent, unless your stepparent has adopted you. "By representation" means that if your child predeceases you, his or her share will be divided equally among his or her children.

A will or any other document (such as a prenuptial agreement) is not valid for the disposition of your TSP account.

Designating a beneficiary. If you wish, you can designate a person or persons, your estate, or a trust to receive your TSP account after your death. To designate

a beneficiary or beneficiaries, use the Designation of Beneficiary form (TSP-3, or TSP-U-3 for members of the uniformed services). The completed form must be received by the TSP Service Office on or before the date of your death.

Exception: If you separate from service and submit a Request for Full Withdrawal requesting an annuity, and you die **before** annuity payments begin, the amount used to purchase the annuity will be returned to the TSP. The TSP will, if possible, distribute this money consistent with your annuity beneficiary designation.

TSP distribution of death benefits. In order for beneficiaries to receive your account balance after your death, they (or their representatives) must complete the form Information Relating to Deceased Participant (TSP-17, or TSP-U-17 if you are a member of the uniformed services) and send it to the TSP Service Office along with a copy of the certified death certificate.

Once the TSP processes this information and determines the beneficiaries for your account, we will contact them with additional information and instructions.

For detailed information about death benefits, read the TSP booklet *Death Benefits* and the TSP tax notice "Important Tax Information About Thrift Savings Plan Death Benefit Payments."

Other Information About the TSP

Personal Identification Number (PIN)

Your 4-digit TSP PIN, used with your SSN, accesses your TSP account on the TSP Web site and the ThriftLine. You receive your PIN after your first contribution is received by the TSP. You can customize, change, or replace your PIN on the TSP Web site or ThriftLine. Your 4-digit TSP PIN is not the same as PINs for other agency or service systems (e.g., myPay, Employee Self-Service, PostalEASE).

TSP Web Site (www.tsp.gov)

The TSP Web site has current TSP information and materials (e.g., forms, rates of return, share prices, Plan News, and calculators). TSP participants can use their SSN and TSP PIN to view personal account information and perform transactions.

ThriftLine

The toll-free ThriftLine (1-TSP-YOU-FRST (1-877-968-3778)) is the TSP's automated telephone service. It has information such as Plan News, share prices, and loan and annuity rates. You can also opt to speak with a service representative. Use your SSN and TSP PIN to access your account and perform certain transactions.

Participant Statements

The TSP issues statements quarterly (in January, April, July, and October). They cover all transactions in your account during the previous 3 months. If you have any TSP loans, the statement also summarizes your loan activity. You can view or print your statements, or request to have them mailed to you, on the TSP Web site.

Bankruptcy

Your TSP account cannot be garnished to pay debts. But, if you have a TSP loan,

your payments may have to stop if you file for Chapter 13 bankruptcy. For more information, see the Fact Sheet "Bankruptcy Information."

Court Orders

Your TSP account is subject to court orders issued in connection with divorce, annulment, or legal separation, and by laws that enforce alimony and child support payments and judgments against you for child abuse. For more information and sample court order language, read the TSP booklet *Court Orders* and the TSP tax notice "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders."

TSP Administration

Management. The Federal Retirement Thrift Investment Board (Agency), is an independent Government agency that administers the TSP. It is managed by a Presidentially appointed five-member Board and an Executive Director chosen by the Board.

The Agency's record keeper handles the day-to-day maintenance and administration of all TSP accounts and assists participants with specific types of TSP-related problems or questions.

Law. The TSP is established under the Federal Employees' Retirement System Act of 1986 and is codified primarily under Chapter 84 of title 5, United States Code (U.S.C.). The TSP is treated as a qualified trust which is exempt from taxation (see 26 U.S.C. § 7701(j)). Its regulations are published in Chapter VI of title 5 of the Code of Federal Regulations.

Audits. By law, the TSP must be audited annually. You can obtain a copy of the most current audited financial statement from the TSP Web site or by writing to the TSP.

Need a TSP PIN?

The TSP mails you a PIN shortly after your very first contribution is received.

If you need to change or replace your PIN, use the Account Access section of the Web site or call the ThriftLine.

To ensure account security, keep your TSP PIN in a safe location that only you know.

Is your TSP record correct?

Keep your address and other personal information up to date. To correct your address, contact your agency or service if you are employed.

If you are separated, update your address through the Account Access section of the TSP Web site, use a TSP change of address form, or call the TSP Service Office. For other changes or corrections after you separate, contact the TSP Service Office.

Appendix: Getting More Information

TSP forms and materials are available from the Forms & Publications section of the **TSP Web site at www.tsp.gov**, from your agency or service, or from the toll-free **ThriftLine at 1-877-968-3778** or the **TDD at 1-877-847-4385**. (Callers outside the U.S. and Canada who cannot use the toll-free numbers should call 404-233-4400.)

Note: Members of the uniformed services should use the “U”-designated version of forms (e.g., Form TSP-U-1 instead of Form TSP-1). There are no “U” versions of Form TSP-60 or Form TSP-65.)

Topic	Where to get information	How to do it	Whom to contact if you are:	
			An active participant	A separated participant
Account balance	TSP Web site, ThriftLine, or participant statement	Use Web or ThriftLine Account Access	Your agency or service	TSP Service Office
Address (change of)	Summary p. 19	Active participants: Contact your agency or service Separated participants: Web Account Access, Form TSP-9, or the TSP Service Office	Your agency or service	TSP Service Office
Annuity	Summary p. 16; Web Calculator: Annuities; Booklet, <i>Withdrawing Your TSP Account After Leaving Federal Service</i>	Use appropriate sections of Form TSP-70		TSP Service Office before purchase; annuity vendor afterwards
Bankruptcy	Fact Sheet: Bankruptcy Information		Your agency or service	TSP Service Office
Basic annuity for FERS and CSRS employees	Office of Personnel Management		Your Personnel or Benefits Office	Office of Personnel Management
Basic annuity for the uniformed services	Your service		Your service	Your service
Combining a uniformed services and a civilian TSP account	See info. and instructions on Form TSP-65	Use Form TSP-65	TSP Service Office	TSP Service Office
Contribution allocations	Summary p. 11; info. and instructions on Form TSP-50	Use Web or ThriftLine Account Access or Form TSP-50	Your agency or service or the TSP Service Office	TSP Service Office
Contribution limits (TSP and IRS)	Summary p. 6; Web Calculator: Elective Deferral; Fact Sheet: Annual Limit on Elective Deferrals		Your agency or service	
Contributions	Summary p. 2; info. and instructions on Form TSP-1	Use Form TSP-1 or your agency or service's electronic version	Your agency or service	
Contributions (catch-up)	Summary p. 2; Fact Sheet: Catch-Up Contributions	Use Form TSP-1-C or your agency or service's electronic version	Your agency or service	
Court orders	TSP Booklet: <i>Court Orders</i> ; Tax Notice: Tax Treatment of TSP Payments Made Under Qualifying Orders	Send qualifying court order to the TSP Service Office to begin process	TSP Service Office	TSP Service Office
Death benefits	TSP Booklet: <i>Death Benefits</i> ; Tax Notice: Important Tax Info. About Thrift Savings Plan Death Benefit Payments	Beneficiaries should use Form TSP-17, Information Relating to Deceased Participant	Your agency or service or the TSP Service Office	TSP Service Office

Topic	Where to get information	How to do it	Whom to contact if you are:	
			An active participant	A separated participant
Designation of beneficiary	TSP Booklet: <i>Death Benefits</i> ; info. and instructions on Form TSP-3	Use Form TSP-3, Designation of Beneficiary	TSP Service Office	TSP Service Office
Fund information for TSP funds	Summary p. 8; Fund Information Sheets (Web)		TSP Service Office	TSP Service Office
In-service withdrawals	Summary p. 14; TSP Booklet: <i>In-Service Withdrawals</i> ; Tax Notice: Important Tax Info. About Payments From Your TSP Account	Use Web Account Access or Form TSP-75 for age-based withdrawal, Form TSP-76 for financial hardship withdrawal		
Interfund transfers	Summary p. 11; info. and instructions on Form TSP-50	Use Web or ThriftLine Account Access or Form TSP-50	TSP Service Office	TSP Service Office
Loan payments	TSP Booklet: <i>Loans</i> ; Fact Sheet: Effect of Nonpay Status on TSP Participation; Web Calculator: Loans		Your agency or service	
Loans (general)	TSP Booklet: <i>Loans</i>	Use Web Account Access or Form TSP-20	TSP Service Office	
Name changes	TSP Web site	Separated participants only: Use Form TSP-15	Your agency or service	TSP Service Office
Participant statements (issued quarterly)	Summary p. 19; Leaflet: Understanding Your TSP Participant Statement	Access on TSP Web site, or use Web or ThriftLine Account Access to request to have participant statements mailed	Agency or service for personal, contribution, and loan payment info.; TSP Service Office for other info.	TSP Service Office
Personal Identification Number (PIN)	Summary p. 19	Web or ThriftLine Account Access or Participant Rep.	TSP Service Office	TSP Service Office
Required minimum distribution	Tax Notice: Important Tax Info. About Your TSP Withdrawal and Required Minimum Distributions			TSP Service Office
Shares/share prices	Fact Sheet: Your Shares in the TSP Funds	Obtain current prices from Web or ThriftLine; Web for historical share prices		
ThriftLine	Web/ThriftLine Information Card	1 (877) 968-3778		
Transfers into the TSP	Summary p. 7; info. and instructions on Form TSP-60	Use Form TSP-60	TSP Service Office	TSP Service Office
Web site	Web/ThriftLine Information Card	www.tsp.gov		TSP Service Office
Withdrawals after you leave service	Booklet: <i>Withdrawing Your TSP Account After Leaving Federal Service</i> ; Tax Notice: Important Tax Info. About Payments From Your TSP Account	Use Web Account Access, or, for a full withdrawal, use Form TSP-70; for a partial withdrawal, use Form TSP-77		TSP Service Office
Withholding on in-service and post-separation withdrawals	Tax Notice: Important Tax Info. About Payments From Your TSP Account	IRS Form W-4P	TSP Service Office	TSP Service Office

Glossary of Terms

Account Balance — The sum of the dollar balances in each TSP investment fund for an individual account. The dollar balance in each investment fund on a given day is the product of the total number of shares in that fund multiplied by the share price for that fund on that day.

Agency Automatic (1%) Contributions — Contributions equal to 1% of basic pay each pay period, contributed to a FERS participant's TSP account by his or her agency. New FERS employees must serve a waiting period before they become eligible for these contributions.

Annuity — A payment paid to the participant (or to the participant's survivor if the participant elects a joint annuity) each month. Payments continue as long as the participant (or his or her survivor) is alive.

Basic Pay (Civilian) — This pay is defined in 5 United States Code (U.S.C.) 8331.

Basic Pay (Uniformed Services) — This refers to compensation payable under sections 204 and 206 of U.S.C. title 37. Section 204 pay is pay for active duty; section 206 pay (e.g., inactive duty for training (IDT) pay) is pay earned by members of the Ready Reserve (including the National Guard).

Before-Tax Contributions — Contributions of money that has not yet been taxed. Sometimes referred to as "tax-deferred" contributions.

Bond — A debt security issued by a government entity or a corporation to an investor from whom it borrows money. The bond obligates the issuer to repay the amount borrowed (and, traditionally, interest) on a stated maturity date.

Bonus Pay (Uniformed Services) — Generally, a type of special pay, with separate rules for TSP contribution election purposes.

Catch-Up Contributions — Contributions made by payroll deductions by a participant age 50 or older, which are permitted to exceed the TSP contribution limit and the Internal Revenue Service (IRS) elective deferral limit.

Contribution — A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her agency or service.

Contribution Allocation — A participant's choice that tells the TSP how contributions, rollovers, and loan payments that are going into his or her account should be invested among the TSP funds.

Contribution Election — A request by a participant to start contributing to the TSP, to change the amount of contribu-

tions made to the TSP each pay period, or to terminate contributions to the TSP.

Credit Risk — The risk that a borrower will not make a scheduled payment of principal and/or interest.

Civil Service Retirement System (CSRS) — The retirement system for Federal civilian employees who were hired before January 1, 1984. CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

Currency Risk — The risk that the value of a currency will rise or fall relative to the value of other currencies. Currency risk could affect investments in the I Fund because of fluctuations in the value of the U.S. dollar in relation to the currencies of the 21 countries in the EAFE index.

Designation of Beneficiary — The participant's formal indication of who should receive the money in his or her account in case of his or her death. Participants must use the TSP Designation of Beneficiary form.

Elective Deferral Limit — An annual dollar limit placed on tax-deferred TSP employee contributions by the IRS. "Catch-up" contributions made by participants age 50 and older are not subject to this limit, but have a separate IRS limit.

Federal Employees Retirement System (FERS) — The retirement system for Federal civilian employees who were hired on or after January 1, 1984. FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

Fixed Income Investments — Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Full Withdrawal — A post-separation withdrawal of a participant's entire TSP account through an annuity, a single payment, or monthly payments (or a combination of these three options).

Incentive Pay (Uniformed Services) — Pay set forth in chapter 5 of U.S.C. title 37 (e.g., flight pay, hazardous duty pay).

Index — A broad collection of stocks or bonds which is designed to match the performance of a particular market or sector. For example, the Standard and Poor's 500 (S&P 500) is an index of large and medium-sized U.S. companies.

Index Fund — An investment fund that attempts to track the investment performance of an index.

Inflation Risk — The risk that investments will not grow enough to offset the effects of inflation.

In-Service Withdrawal — A disbursement from a participant's account which is available only to participants who are still employed by the Federal Government (or the uniformed services).

Interfund Transfer — The choice made by the participant to reallocate his or her existing account balance among the investment funds.

Market Risk — The risk of a decline in the market value of stocks or bonds.

Matching Contributions — Contributions made by agencies to TSP accounts of FERS employees who contribute their own money to the TSP. (CSRS employees do not receive matching contributions. At present, members of the uniformed services also do not receive matching contributions.)

Mixed Withdrawal — A post-employment withdrawal of a participant's entire account through any combination of an annuity, a single payment, or monthly payments.

Monthly Payments — Payments that the participant elects to receive each month from his or her TSP account after separating from service.

Partial Withdrawal — A one-time post-employment distribution of part of a participant's account balance. A partial withdrawal is participant-elected and is made in a single payment.

Participant Statement — A statement that is furnished to the participant after the end of each calendar quarter. It shows his or her account balance (in both dollars and shares) and the transactions in his or her account during the quarter.

Personal Identification Number (PIN) — A four-digit number that the participant can use (in conjunction with his or her Social Security number) to access his or her own account on the TSP Web site or the ThriftLine. The initial PIN is computer-generated and is sent to the participant shortly after the participant's first contribution is received by the TSP.

Post-Separation Withdrawal — A distribution from a participant's account which is available only to participants who have left Federal service or the uniformed services. Sometimes referred to as a "post-employment" withdrawal. (See also "Withdrawal.")

Reamortization — The process of adjusting the terms of a loan to change the loan payment amount or to shorten or lengthen the repayment term.

Required Minimum Distribution — The amount of money, based on a participant's age and previous year's TSP

account balance, that the IRS requires to be distributed to the participant each year once the participant has reached age 70½ and is separated from service.

Risk (Volatility) — The amount of change (both up and down) in an investment's value over time.

Section 415 Limit — An IRS limit on the amount of money that can be contributed on behalf of a participant to an eligible retirement plan or plans.

Securities — A general term describing a variety of financial instruments, including stocks and bonds.

Single Payment — A payment made at one time. Sometimes referred to as a "lump sum."

Special Pay (Uniformed Services) — Pay set forth in chapter 5 of U.S.C. title 37 (e.g., medical and dental officer pay, hardship duty pay, career sea pay).

Stocks — Equity securities issued as ownership in a publicly held corporation.

Tax-Exempt Contributions — Contributions of money that will never be taxed. Such contributions can be made to the TSP by members of the uniformed services from pay that is covered by the combat zone tax exclusion.

ThriftLine — The TSP's automated voice response system. It provides general news about the TSP and allows participants to access certain information and perform some transactions over the telephone. You also use the ThriftLine to contact participant service representatives at the TSP Service Office.

Time Horizon — The investment time you have until you need to use your money.

Uniformed Services — Uniformed members of the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration serving on active duty, and members of the Ready Reserve or National Guard of those services in any pay status.

Vesting — For a FERS participant, the time in service that he or she must have upon separation from service in order to be entitled to keep Agency Automatic (1%) Contributions and associated earnings. A participant is vested in (entitled to keep) the Agency Automatic (1%) Contribution in his or her account after completing 3 years of Federal service (2 years for most FERS employees in Congressional and certain noncareer positions).

Volatility — See "Risk."

Withdrawal — A general term for a distribution that a participant requests from his or her account. (Includes in-service withdrawal, partial withdrawal, full withdrawal, etc.)

Federal Retirement Thrift Investment Board



TSPBK08 (8/05)
PREVIOUS EDITIONS OBSOLETE

T Thrift
S Savings
P Plan

MANAGING
YOUR ACCOUNT

May 2008

Welcome to the Thrift Savings Plan!

The TSP offers these important features to help you save for retirement:

- Your contributions and earnings are *tax deferred*. You pay no Federal income taxes on the money until you withdraw it from your account.
- FERS employees are eligible for agency automatic and matching contributions.
- You can invest in:
 - **Lifecycle Funds**, an automated investment tool which combines the TSP stock, bond, and Government securities funds in professionally determined proportions based on when you expect to need the money; or
 - **Individual TSP Funds**, which you can combine in any way you choose.
- You can transfer money from other eligible employer plans or Individual Retirement Accounts (IRAs) to your TSP account.
- If you are age 50 or older, you may be able to make additional catch-up contributions.
- If the need arises, you can borrow from your account.
- You can make an in-service withdrawal for financial hardship or after age 59½.
- You have a choice of withdrawal options after you separate. You can also leave your money in the TSP.

To get the most out of the TSP, you need to make several important decisions about your account. This booklet will help you get started.

Getting Started

Starting or Changing Your Contributions

You can enroll in the TSP at any time. But if you are new to the Federal Government, you should take advantage of this important benefit by starting right away.

To enroll in the TSP, submit the Election Form (TSP-1 for civilians; TSP-U-1 for members of the uniformed services) to your agency or service. The form is available from your TSP representative or the TSP Web site. Some agencies and services require electronic enrollment. Check with your TSP representative.*

To change the amount of your contributions, use either the TSP Election Form or your agency's electronic system.

You can stop and restart your contributions at any time.

Contribution Limits

If you are a FERS employee, you may contribute any amount up to the IRS elective deferral limit (\$15,500 in 2008).

When you are eligible, you will receive two types of agency contributions:

- **Agency Automatic (1%) Contributions.** You receive an amount equal to 1% of your basic pay whether or not you contribute from your pay.

* Your TSP representative is generally a person in your personnel or human resources office.

- **Agency Matching Contributions.** Your agency matches your contributions dollar-for-dollar on the first 3% of basic pay you contribute per pay period, and 50 cents on the dollar on the next 2%.

Together, these agency contributions can equal as much as 5% of your basic pay. But you must contribute at least 5% in order to receive the full amount of agency money.

Your eligibility for agency contributions depends on the date you were hired. Check with your TSP representative.

Note for FERS employees: If you reach the IRS elective deferral limit before the end of the year, your own contributions — and any associated Agency Matching Contributions — will be suspended. Use the Elective Deferral Calculator on the TSP Web site to avoid this situation.

If you are a CSRS employee, you may contribute any amount up to the IRS elective deferral limit (\$15,500 in 2008).

If you are a member of the uniformed services, you may contribute any amount up to the IRS elective deferral limit (\$15,500 in 2008). If you elect to contribute from basic pay, you may also elect to contribute up to 100% of incentive pay and special pay (including bonus pay), but your total contributions from taxable pay for the year may not exceed this IRS limit.

Contributions from pay that is subject to the combat zone tax exclusion are tax-exempt. They are not included in the elective deferral limit, but they count toward another IRS limit which specifies that the combined total of all contributions of any type cannot exceed 100%

of compensation or \$46,000 in 2008, whichever is less. If you also contribute to a civilian TSP account, total contributions to both your accounts cannot exceed these limits.

Note for members of the Ready

Reserve: If you contribute to the TSP as a member of the Ready Reserve *and* as a civilian FERS participant, be sure that your combined contributions do not cause you to reach the IRS elective deferral limit before the end of the calendar year. If you do, you could lose out on matching contributions from your civilian agency.

Catch-Up Contributions

If you turn age 50 or older during the calendar year and will reach the maximum that you are eligible to contribute to the TSP, you can make additional “catch-up” contributions — up to \$5,000 in 2008. You must make a separate election for these contributions each year.

Your First Contributions

After you enroll, contributions are deducted from your pay automatically and sent to the TSP. Your first contribution establishes your account. (Accounts for FERS employees will also be established by Agency Automatic (1%) Contributions even for those who do not choose to contribute from their pay.) Contributions are automatically invested in the Government Securities Investment (G) Fund until you make a different choice. (See “Investing in the TSP” on page 7, which describes your TSP investment options and the actions you need to take to select them.)

Your TSP Account Number, ThriftLine PIN, Web Password, and Web User ID

When the TSP receives your first contribution, it will mail you a “welcome letter” containing your account number and the identifying information your agency or service has provided to the TSP. This account number will be the TSP’s primary means of identifying your account. Separately, you will receive a 4-digit Personal Identification Number (PIN), which you will need to access your account on the ThriftLine (1-800-YOU-FRST), the TSP’s automated voice response system, and an 8-character password for accessing your account on the TSP Web site (www.tsp.gov).

You cannot change your TSP account number, but, beginning in mid-2008, you will be able to establish a custom user ID on the Web site that you can use, instead of your account number, to access your account through the TSP Web site. This user ID will not be valid for any other TSP purpose but will help participants who have difficulty remembering their 13-digit account numbers. (If you forget your Web user ID, you can still use your account number to log into your account.) Also, you can change the Web password you receive from the TSP to one of your choice through the Account Access section of the TSP Web site. You will need your account number to access your account through the ThriftLine, but you can also change your ThriftLine PIN (after you receive it) to one of your choice. Your change will take effect immediately.

If you lose your PIN, you can request a new one on the ThriftLine. If you lose your Web password, you can request a new one from the Account Access section of the TSP Web site. If you forget your account number, you can use either the ThriftLine or Web site to request that it be mailed to you again. You can also request a new PIN or password or a remailed account

number by contacting the TSP. If you make a written request, you must include your TSP account number (or Social Security number) and date of birth in your letter. You should receive your new PIN or password or remailed account number within 10 days after the TSP receives your request. In the meantime, you will not be able to access your account through the automated portion of the ThriftLine or through the TSP Web site.

Safeguard your TSP account number, ThriftLine PIN, Web user ID, and Web password to protect your account. The TSP is not responsible for losses resulting from the unauthorized use of your account number, PIN, or password.

When using the TSP system, please ensure that your computer is protected against the latest viruses, Trojans, and keylogger software. The FAQs on the TSP Web site contain additional information about internet security as do many government Web sites such as: <http://www.OnGuardOnline.gov> and <http://www.us-cert.gov>. The TSP is not responsible for losses resulting from the use of a compromised computer.

Your Beneficiary Designation

You can designate one or more persons, a trust, or another entity to receive your TSP account in the event of your death. To designate beneficiaries, complete a Designation of Beneficiary form (Form TSP-3 for civilians; Form TSP-U-3 for members of the uniformed services). The form is available at www.tsp.gov or from your agency or service TSP representative.

If you make a valid beneficiary designation for your TSP account, you will receive a confirmation of your designation in the mail. Your primary beneficiaries will also be shown on your annual TSP participant statement, which is mailed to you at the beginning of each calendar year. Alternatively, if your designation is invalid

and cannot be processed, you will be notified by the TSP.

If you do not designate beneficiaries for your account, in the event of your death your account will be distributed according to the order of precedence required by law: to your widow or widower; if none, to your child or children equally, and descendants of deceased children by representation; if none, to your parents equally or to the surviving parent; if none, to the appointed executor or administrator of your estate; if none, to your next of kin who is entitled to your estate under the laws of the state where you resided at the time of your death.

Be sure to keep your beneficiary designation up to date to reflect changes in your life, such as marriage, births, adoptions, divorce — even a change of address for your beneficiaries. Send a new form to change a beneficiary designation or update information.

A will is not a substitute for a Designation of Beneficiary form and will not affect the disposition of your TSP account.

Investing in the TSP

The TSP offers you two approaches to investing your account:

- **Lifecycle Funds** (L Funds)
- **Individual TSP Funds** (G, F, C, S, and I Funds)

Lifecycle (L) Funds

The L Funds offer an easy option for those participants who do not have the time, interest, or knowledge to manage their TSP investments.

The L Funds are “lifecycle” funds that are invested according to a professionally determined mix of stocks, bonds, and securities based on various time horizons. (A time horizon is the date when you expect to withdraw your money.) L Funds with further time horizons (for example, L 2040) are focused on growth, and therefore are invested more aggressively, with higher percentages in foreign and domestic stocks and lower percentages in Government securities. As each L Fund matures, its mix gradually shifts to more conservative investments with a higher percentage of Government securities and lower percentages of stocks. This more conservative mix is designed to preserve assets while still providing protection against inflation. (Detailed information about each L Fund is available on the TSP Web site.)

Each L Fund is automatically rebalanced, generally each business day, to restore the fund to its intended investment mix. Each quarter, the fund’s asset allocation is adjusted to slightly more conservative investments. When an L Fund reaches its time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

Select one of the five L Funds based on your time horizon:

- **L 2040** — 2035 and later
- **L 2030** — 2025 through 2034
- **L 2020** — 2015 through 2024
- **L 2010** — 2008 through 2014
- **L Income** — Now withdrawing

If you decide to invest your entire account in one of the L Funds, you are done making your investment decisions. The TSP will do the rest.

Individual TSP Funds

The TSP has five individual investment funds:

Government Securities Investment

(G) Fund — invested in short-term, U.S. Treasury securities that are specially issued to the TSP (Government securities with no risk of loss)

Fixed Income Index Investment (F) Fund

— invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index (U.S. investment-grade corporate, Government, and mortgage-backed securities)

Common Stock Index Investment (C) Fund

— invested in a stock index fund that tracks the Standard & Poor's (S&P) 500 stock index (primarily large U.S. companies)

Small Capitalization Stock Index Investment (S) Fund

— invested in a stock index fund that tracks the Dow Jones Wilshire 4500 Completion stock index (medium to small U.S. companies)

International Stock Index Investment

(I) Fund — invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) stock index (primarily large companies in 21 developed countries)

Visit the TSP Web site for detailed fund descriptions and information on fund performance.

If you choose your own investment mix from the G, F, C, S, and I Funds, remember that your investment allocation is one of the most important factors affecting the growth of your TSP account. If you prefer this “hands-on” approach, keep the following points in mind:

- **Consider both risk and return.** The F Fund (bonds) and the C, S, and I Funds (stocks)

have higher potential returns than the G Fund (Government securities). But stocks and bonds also carry the risk of investment losses, which the G Fund does not. On the other hand, investing entirely in the G Fund may not give you the returns you need to meet your retirement savings goal.

- ***You need to be comfortable with the amount of risk you expect to take.*** Your investment comfort zone should allow you to use a “buy and hold” strategy so that you are not chasing market returns during upswings, or abandoning your investment strategy during downswings.
- ***You can reduce your overall risk by diversifying your account.*** The five individual TSP funds offer a broad range of investment options, including Government securities, bonds, and domestic and foreign stocks. Generally, it’s best not to put “all of your eggs in one basket.”
- ***The amount of risk you can sustain depends upon your investment time horizon.*** The more time you have before you need to withdraw your account, the more risk you can take. (This is because early losses can be offset by later gains.)
- ***Periodically review your investment choices.*** Check the distribution of your account balance among the funds to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want.

Deciding on Your Approach

The TSP investment options are designed for you to choose ***either*** the L Fund that is appropriate for your time horizon, ***or*** a combination of the individual TSP funds that will support your personal investment strategy. However, you are permitted to invest in any fund or

combination of funds. Just keep in mind that the L Funds are made up of the five individual TSP funds (G, F, C, S, and I). If you invest in an L Fund as well as in the individual funds, you will duplicate some of your investments, and your allocation may not be what you wanted.

Implementing Your Investment Choice

Once you have decided on your investment approach — professionally designed (L Funds) or self-directed (individual TSP funds) — there are two transactions you can make to put your money in the fund(s) you have chosen:

- The first transaction you need to make is a **contribution allocation**. This transaction directs how new money (payroll contributions, transfers into the TSP, loan payments) will be invested. It does not change your existing account balance.
- The second transaction you may want to make is an **interfund transfer (IFT)**. An IFT is a one-time transaction that allows you to redistribute all or part of your existing TSP account among the different TSP funds. For each calendar month, your *first two* IFTs can redistribute money in your account among any or all of the TSP funds. After that, for the remainder of the month, your IFTs can *only* move money into the Government Securities Investment (G) Fund (in which case, you will increase the percentage of your account held in the G Fund by reducing the percentage held in one or more other TSP funds). An IFT has no effect on new money coming into your account. (If you have both a civilian and a uniformed services account, this applies to each account separately.)

The transfer counts in the calendar month we process it, not in the month you submit it.

You can perform these transactions in the Account Access section of the TSP Web site, using your TSP account number and Web password, or you can request these transactions through the ThriftLine, using your TSP account number and PIN (see page 5). You can also contact the TSP or submit an Investment Allocation form. The form is available from your agency or service.

Transferring Other Investments to Your TSP Account

If your TSP account has already been established, you can transfer (pre-tax) balances from your traditional IRAs or eligible employer plans into your account. This money will be invested according to your most recent contribution allocation. Use the form Request for a Transfer Into the TSP (Form TSP-60 for civilians; Form TSP-U-60 for members of the uniformed services), which is available at www.tsp.gov.

Account Information

Your Account Balance

Your account balance (expressed in both dollars and shares) is available in the Account Access section of the TSP Web site and on the ThriftLine. Your account balance is updated at the end of each business day based on that day's closing share prices and any transactions processed that night.

Your Participant Statements

Your first quarterly TSP statement will be mailed to you. After that, quarterly statements will be available only on the TSP Web site — unless you make a request to continue receiving them in the mail. You can make this request on the TSP Web site or the ThriftLine.

You will also receive an annual participant statement at the beginning of each calendar year. That statement will provide a summary of your account activity for the previous year and give you other information, such as a listing of your primary beneficiaries, an account profile, and your cumulative lifetime contributions to the TSP. You should review and verify all the information on this statement.

Check all your statements to ensure that:

- your personal information (name, address, date of birth, etc.) is correct.
- your beneficiary designation information is correct.
- the contribution amount is correct.
- payments on any loans you may have are being deposited correctly.
- transactions (interfund transfers, loans, withdrawals, etc.) have been properly recorded.

Correcting Your Account Information

To correct personal information, **current employees and members of the uniformed services** should have their agency or service make any corrections to their TSP account record. **Separated participants** should notify the TSP directly. A separated participant can also make address changes on the TSP Web site or send Form TSP-9 (or Form TSP-U-9 for a uni-

formed services account), Change of Address for Separated Participant, to the TSP.

To update your beneficiary information or change your beneficiary(ies), send a new Designation of Beneficiary form (Form TSP-3 or Form TSP-U-3 for a uniformed services account) directly to the TSP.

If you change agencies (or payroll offices), make sure that your TSP contributions (and your loan payments, if any) continue after you transfer. Report any errors to your new payroll office immediately, and follow up to make sure the corrections took effect.

Getting Your Money Out

Loans

The TSP loan program allows eligible participants to borrow from their accounts and repay the loan with interest.

There are two types of loans:

- **General purpose loans**, which can be used for any purpose, have a repayment period of 1 to 5 years.
- **Residential loans**, which are available only for the purchase or construction of a primary residence, have a repayment period of 1 to 15 years.

To learn more about the loan program, read the TSP booklet *Loans*, which is available from the TSP Web site or from your agency or service. In particular, read the section that discusses the things to consider before you borrow; it will

help you decide whether your TSP account is your best option for borrowing money. Taking a loan can reduce your TSP balance at retirement because the interest rate you pay to your account for the loan may be less than the earnings you would have received if the money had remained in your account.

In-Service Withdrawals

If you are still employed by the Federal Government, you can withdraw money from your account only under the following circumstances:

- If you are 59½ or older, you may make a one-time ***age-based in-service withdrawal***.
- If you have a financial hardship, you may make a ***financial hardship in-service withdrawal*** (limited to one every 6 months). You will not be allowed to make contributions to your account for 6 months after you make the withdrawal. (If you are a FERS employee, you will not receive Agency Matching Contributions during that time; Agency Automatic (1%) Contributions will continue.) In addition, if you are under age 59½, you may be required to pay an early withdrawal penalty tax.

Other restrictions apply to these withdrawals. Read the booklet *TSP In-Service Withdrawals* and the TSP tax notice “Important Tax Information About Payments From Your TSP Account” for more information.

Post-Separation Withdrawals

When you leave Federal service, you have a number of withdrawal options:

- ***Leave your money in the TSP.*** If you have more than \$200, you can leave your account in the TSP. (If your account is less than \$200,

the TSP will automatically send you the entire amount in a single payment. You cannot leave it in the TSP.)

You must withdraw your account (or begin receiving monthly payments) by April 1 of the year following the year you turn 70½ and are no longer in Federal service.

If you have both a civilian and a uniformed services TSP account and you separate from Federal civilian service or from the uniformed services (or both), you may combine your TSP accounts. Use Form TSP-65, Request to Combine Uniformed Services and Civilian TSP Accounts.

- **Make a partial withdrawal.** You may make a one-time, single-payment, partial withdrawal (but only if you had not previously made an age-based in-service withdrawal).
- **Make a full withdrawal.** You have three withdrawal options:
 - A single payment
 - Monthly payments
 - An annuity (purchased for you by the TSP)

You can combine any of these three options.

You can also have the TSP transfer part or all of certain types of withdrawals to a traditional IRA, an eligible employer plan, or, if you are eligible, a Roth IRA.

When considering your withdrawal options, use the calculators on the TSP Web site to estimate the amount of annuity payments or monthly payments you might receive.

The booklet *Withdrawing Your TSP Account After Leaving Federal Service* describes your TSP withdrawal options. You should also read the TSP tax notice “Important Tax Information About Payments From Your TSP Account.” The booklet and tax notice are available from the TSP Web site, your agency or service, or the TSP.

Spouses’ Rights

Spouses’ rights requirements apply to loans, in-service withdrawals, and post-separation withdrawals.

Loans, In-Service Withdrawals, and Partial Withdrawals. If you are a married FERS participant or a member of the uniformed services, your spouse must give written consent to your loan, or notarized written consent to your in-service or partial withdrawal request. If you are a married CSRS participant, the TSP will notify your spouse of your loan application or your partial or in-service withdrawal request.

Post-Separation Full Withdrawals. Spouses’ rights requirements apply to vested accounts of more than \$3,500. If you are a married FERS participant or a member of the uniformed services, your spouse is entitled to a prescribed joint life and survivor annuity. If you select any other withdrawal option, your spouse must first waive his or her right to the prescribed annuity. If you are a married CSRS participant, the TSP must notify your spouse of any withdrawal election.

Under certain limited circumstances, exceptions to these requirements may be granted. See the Exception to Spousal Requirements form, available from the TSP Web site.

Check List for New Participants

- ✓ Contribute to the TSP from your pay.
- ✓ Safeguard your TSP account number, your ThriftLine Personal Identification Number (PIN), and your Web password when you receive them.
- ✓ Read about your TSP investment options.
- ✓ Decide whether you want to use one of the TSP's professionally designed Lifecycle Funds or manage your own TSP investments.
- ✓ Make a *contribution allocation* to direct the way your future contributions are invested.
- ✓ Make an *interfund transfer* to move your existing account balance into the funds of your choice. (New accounts are invested in the G Fund.)
- ✓ Decide whether you want to designate beneficiaries for your account.

To learn more about the TSP, ask your agency or service for a copy of the *Summary of the Thrift Savings Plan*, or download one from the TSP Web site at www.tsp.gov. The forms and publications referred to in this booklet can be obtained from the TSP Web site or your TSP representative.

TSP Web Site

www.tsp.gov

ThriftLine

1-TSP-YOU-FRST

(1-877-968-3778)

**(Toll free from the United States
and Canada)**

All Other International Callers

404-233-4400

(Not toll free)

Fax Number

1-866-817-5023

TDD

1-TSP-THRIFT5

(1-877-847-4385)

TSP Address

Thrift Savings Plan

P.O. Box 385021

Birmingham, AL 35238

Federal Retirement Thrift Investment Board



FPI-PET

TSPBK30 (5/08)
PREVIOUS EDITIONS OBSOLETE



Thrift Savings Plan HIGHLIGHTS

April 2008

Your new statement

If you were a TSP participant as of December 31, 2007, you should have received your first annual TSP participant statement. The statement covers activity in your account for 2007 and provides other valuable information. If you did not get yours, you can obtain a copy from the Account Access section of the TSP Web site. You can also request a copy through the ThriftLine: TSP-YOU-FRST (877-968-3778).

TSP is ready for Roth transfers

The TSP recently began offering transfers and rollovers to Roth IRAs from age-based in-service withdrawals and certain post-separation withdrawals. However, if you are thinking about rolling over — or having the TSP transfer — money from your TSP account to a Roth IRA, we strongly encourage you to first speak with a tax advisor about the rules, restrictions, and tax consequences involved. (For example, unlike transfers or rollovers to traditional IRAs, where you defer paying tax until you withdraw the money, transfers or rollovers to Roth IRAs require you to pay tax for the year of the transfer.) Updated forms and tax notices are available on the TSP Web site.



Limits to Interfund Transfers Will Save Participants Money

Last year, it became clear that a small number of TSP investors were making frequent interfund transfers. They were “timing the market,” requesting interfund transfers in reaction to, or in anticipation of, short-term market conditions. Upon careful review, we determined that this activity was harming other TSP participants via transaction costs and greater risk of performance deviations from the TSP funds’ benchmarks.

These actions are affecting everyone invested in the funds. For example, in 2007 alone, transaction costs caused all long-term investors in the I Fund to earn 0.06 percent less than they otherwise would have. This expense is in addition to the .015 percent administrative costs charged to all of the TSP funds.

To resolve this problem, the Board has proposed a regulation that would limit participants to two interfund transfers per month, with subsequent unlimited transfers only to the G Fund. We hope this action will curb market timing, while still allowing participants to periodically rebalance their accounts and retain the “safe haven” of the G Fund when concerned about risk. Based on current participant behavior, we have determined that these limits impact very few TSP participants. (In fact, our review of data for 2007 shows that more than 99 percent of TSP participants requested 12 or fewer interfund transfers over the entire year.) This small change will save money for all participants because transaction expenses and certain other costs will decrease as the result of the proposed restrictions.

We have published the proposed regulation in the Federal Register and have links to it on our Web site. Once we have evaluated any comments we receive, we will make a final decision regarding the approach to be taken, and we will announce it on the TSP Web site.

For more information about the proposed limitations, click on “Information about Interfund Transfer Restrictions” at the top of the TSP Web site’s Home page. You will find a set of Questions and Answers about interfund transfer activity, a relevant November 6, 2007 memorandum to the TSP’s Board members, and an accompanying presentation.

As the TSP’s Executive Director, Gregory T. Long, wrote in a letter mailed to all TSP participants in February, “We feel strongly that the detrimental effects of frequent trading on fund performance must be dealt with and encourage you to read the materials we have made available so you understand why we are pursuing the proposed regulations.”

TSP Web Site:
www.tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
Outside the U.S. and Canada: 404-233-4400

TDD: 1-TSP-THRIFT5
(1-877-847-4385)

We're Making Account Numbers Easier to Use

Since last October, your TSP account information has been more secure thanks to our move to TSP account numbers. Now you no longer have to provide your Social Security number to gain access to the Account Access section of the TSP Web site or the ThriftLine. But we know it's not easy to remember your 13-digit account number! So, to make it easier for you to log into the Web site, we are taking a new step. Beginning later this spring, we will make it possible for you to create a customized user ID of your choice to use as an alternative to your TSP account number.

We will still identify you through your TSP account number, which you will still have to provide when you call the TSP or complete most TSP forms. But, when you log into your account on the Web, you will be able to use either your TSP account number or the customized ID you have established. You will still need to use your Web

password. If you have both a civilian and a uniformed services account, you will be able to create the same user ID for both.

You will be able to choose a customized ID that you find easy to remember. Once you've established your user ID, it will not expire, and you can change it as often as you like. Your customized ID will be unique to you.

You will need to protect your customized ID in the same way you guard your TSP account number, password, and PIN. Do not leave it where others can see it, and never reveal it to anyone.

Watch the TSP Web site for an announcement when the TSP is ready to implement this new feature. 

April is "financial literacy month"

This is a good time to learn more about the TSP. Obtain informative booklets, fact sheets, leaflets, and other publications from the TSP Web site, www.tsp.gov.



Rates of Return

	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2008										
Jan	- 5.37%	- 4.71%	- 3.90%	- 2.07%	- 0.97%	0.33%	1.76%	- 5.98%	- 6.27%	- 8.52%
Feb	- 1.80	- 1.51	- 1.25	- 0.59	- 0.22	0.24	0.16	- 3.28	- 2.05	- 0.66
Annual 1998 - 2007										
1998	-	-	-	-	-	5.74%	8.70%	28.44%	-	-
1999	-	-	-	-	-	5.99	- 0.85	20.95	-	-
2000	-	-	-	-	-	6.42	11.67	- 9.14	-	-
2001	-	-	-	-	-	5.39	8.61	- 11.94	-	-
2002	-	-	-	-	-	5.00	10.27	- 22.05	- 18.14	- 15.98
2003	-	-	-	-	-	4.11	4.11	28.54	42.92	37.94
2004	-	-	-	-	-	4.30	4.30	10.82	18.03	20.00
2005	-	-	-	-	-	4.49	2.40	4.96	10.45	13.63
2006	16.53	15.00	13.72	11.09	7.59	4.93	4.40	15.79	15.30	26.32
2007	7.36	7.14	6.87	6.40	5.56	4.87	7.09	5.54	5.49	11.43

The returns for the TSP Funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and accrued investment management fees. Additional information about the TSP Funds, the related indexes, and their respective 1-, 3-, 5-, and 10-year returns can be found in the TSP Fund Information sheets on the TSP Web site.

The L Funds, which are invested in the individual TSP funds (G, F, C, S, and I), were implemented on August 1, 2005; therefore, the first annual returns are for 2006. The S and I Funds were implemented in May 2001; therefore, there are no annual returns for these funds for years before 2002.



CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

WHEREAS, the Federal Retirement Thrift Investment Board agrees to furnish _____ certain confidential information relating to plan participants that is stored in electronic format in order to allow _____ to develop, deliver, and analyze a survey of plan participants;

WHEREAS, such information is protected by the Privacy Act of 1974, 5 U.S.C. § 552a;

WHEREAS, improper disclosure of such information can subject the individual or entity to civil and criminal penalties;

WHEREAS, _____ agrees to use this confidential information only for the purpose described above and to otherwise hold such information confidential pursuant to the terms of this Agreement.

BE IT KNOWN, that the Federal Retirement Thrift Investment Board shall furnish to _____ certain confidential information on the following conditions:

1. _____ agrees to hold the confidential information in trust and confidence and agrees to use it only for the purpose described above;
2. _____ will not disclose the confidential information to any third party;
3. _____ will make copies of the confidential information only if it is necessary for the purpose of the development, delivery, or analysis of the participant survey;
4. After completing its work or upon demand by the Federal Retirement Thrift Investment Board, _____ shall return all confidential information, including copies, to the Federal Retirement Thrift Investment Board;
5. Confidential information shall not be disclosed to any _____ employee, adviser, agents, or representatives unless they agree to be bound by the terms of this Agreement; and
6. _____ accepts full liability for and will indemnify the Federal Retirement Thrift Investment Board against any loss arising from any disclosure or unauthorized use of the confidential information by _____ or _____ employees, advisers, agents or representatives.

AGREED AND ACCEPTED BY:

SIGN: _____
FOR AND ON BEHALF OF [VENDOR NAME]

DATE: _____