2013 Annual Report on Financial Literacy Efforts of the Federal Retirement Thrift Investment Board

February 7, 2014
Introduction

The Thrift Savings Plan (TSP) Open Elections Act of 2004 contains the following requirement:

REPORT ON FINANCIAL LITERACY EFFORTS. The Board shall annually report to the Committee on Governmental Affairs of the Senate and the Committee on Government Reform in the House of Representatives on its Thrift Savings Plan education efforts on behalf of plan participants. Pub. L. 108-469, §2, 118 Stat. 3891, 3892.

In 2013, financial literacy initiatives undertaken by the Federal Retirement Thrift Investment Board (the Board) included a large number of print products, web-based offerings, and in-person training sessions for employees and agency representatives.

Financial literacy and numeracy are critical elements of retirement readiness. To that end, we are committed to delivering compelling messaging that encourages participants to save for retirement; to educate, communicate, and interact with participants to help them make smart choices; and to deliver innovative products and programs to assist participants in achieving their retirement goals.

Expanded Internet Presence

We launched a mobile version of tsp.gov on October 21, 2013. TSP participants who navigate to tsp.gov from a smartphone will be automatically directed to the new mobile version of My Account. The mobile version allows smartphone users to visit tsp.gov anytime and anywhere without having to download an app.

On December 16th, 2013, the Board established a Twitter feed @TSP4GOV. TSP “tweets” will encourage recipients to make smart saving and investing decisions and provide them with timely plan news. During the last two weeks of 2013, the TSP gained 1,194 followers on Twitter. An image of our Twitter landing page is at Appendix A.

During 2013, we also expanded the selection of short video clips on our YouTube channel, YouTube.com/TSP4gov. New video selections for 2013 explain the benefits of investing in the plan (for both civilians and uniformed service members), the meaning of “vesting,” and the impact of investment expenses. By year’s end, our YouTube channel had 1,705 subscribers.

Participant Statements Recognized for Innovation

To assist participants in identifying their retirement savings goals, the TSP provides lifetime income projections. In February 2013, our annual statements displayed, for the first time, estimated monthly retirement income on the front page alongside the total account balance. This feature was recognized by Pensions and Investments, a
leading industry publication, with their 2013 Innovator Award. The announcement, titled *Employing a Simpler Approach to Help Illustrate Lifetime Income*, is at Appendix B.

**Outreach to the Uniformed Services**

The Roth TSP option, which became available to most of our participants in 2012, was finally rolled out to the uniformed services reserve components in 2013. Making Roth elections can be confusing for service members due to the multiple sources of military pay with their differing tax treatments and contribution limits. The process is even more vexing for reservists because the various service components are supported by different pay systems, each with its own capabilities and technical limitations. We worked with the Defense Finance and Accounting Service this year to redesign our uniformed services contribution form in an attempt to help reserve component members understand their options.

We presented a webcast, *Roth TSP for Uniformed Service Members, Part II*. This program was a follow-up to a 2012 webcast, and it addressed many of the detailed questions we received after introducing Roth TSP to the active components of the uniformed services. It is archived on our YouTube channel for on-demand viewing.

We partnered with the Department of Defense Financial Readiness Campaign, contributing two articles to militarysaves.org. *Know Your Limits: Contribution Limits and Your Thrift Savings Plan (TSP) Account* explains the contribution limits and how uniformed service members in certain situations can make contributions that exceed the elective deferral limit. *There’s More to the TSP Than the G Fund* encourages savers to diversify their retirement portfolios. During the week of February 25th, 2013, TSP staff members participated in the Military Saves campaign at the Pentagon, manning a TSP exhibit, answering questions, and presenting TSP briefings. During May and June, TSP experts from our education staff returned to the Pentagon to pilot the idea of a TSP satellite office, presenting ten “lunch and learn” sessions and conducting 80 one-on-one TSP counseling sessions.

**Transfer/Rollover Education**

In its recent study, *401(k) Plans: Labor and IRS Could Improve the Rollover Process for Participants*, the Government Accountability Office (GAO) looked at the options available to 401(k) plan participants separating from employment. The GAO concluded that the current environment favors cash outs and rollovers to IRAs, resulting in either complete depletion of retirement savings or gradual depletion through high and hidden fees.

The TSP began allowing inbound transfers and rollovers in July 2001, but we generally presented the transfer opportunity in narrow and somewhat discouraging terms (e.g., “The conditions under which the TSP will accept a transfer or a rollover are strict.”). This was consistent with the Board’s traditional approach to inform and educate...
about plan rules and features, but never to advise (or be perceived as advising) about the TSP’s place in a participant’s overall investment/savings circumstances.

During 2013, we began to question whether our “non-promotional” approach to transfer/rollover education truly serves the best interest of our participants. On September 27th, the Executive Director adopted a policy of actively encouraging participants to transfer their other retirement savings into the TSP, where they would be managed at low cost pursuant to fiduciary standards. We are currently studying the merits of actively assisting participants with their transfers.

**Educational Materials in Print and on the Web**

Our print materials and website do the heavy lifting for our education program. The print products are available to participants through the TSP ThriftLine (877-968-3778) or on the website, and are distributed free to employing agencies and services. Booklets and leaflets help participants understand the TSP’s benefits and limitations. Posters, flyers, and a quarterly newsletter keep participants mindful of the importance of saving and prudently managing money for retirement. The website also offers informative articles, online calculators, and interactive pie charts along with share prices, historical returns, and administrative expenses to help participants make informed choices about their retirement investments. Posters and newsletters created for 2013 are represented at Appendix C.

In 2013, our participants were concerned about sequestration cuts, furloughs resulting from the temporary Federal government shutdown, and the US Treasury’s suspension of investments in the G Fund. The Board responded by publishing timely fact sheets and website articles on the potential effects of these events. For example, information on the furlough’s potential effects was published to the website on March 1, 2013 (see Appendix D).

The Supreme Court ruling on the Defense of Marriage Act (DOMA) also affected many TSP participants. We reviewed all of our print and web products and, wherever necessary, updated references to DOMA and spousal rights. We created or significantly revised 19 print products during 2013.

Our website’s interactive calculators let participants model the impact of various financial decisions. In 2013, we added two new calculators. Our Paycheck Estimator enables users to estimate how their TSP contributions will affect their take-home pay and their account savings over time. The Retirement Income Calculator helps users decide whether receiving monthly income is right for them by illustrating systematic withdrawal options side-by-side with life annuity payments. An image of the results screen is at Appendix E.
Secure E-Messaging

Secure messaging, a feature that has proven particularly attractive to our uniformed services participants, became increasingly popular in 2013. Message volume increased by 496% over 2012, with representatives responding to 54,039 questions. The most popular topic was TSP loans (28.9% of messages), followed by withdrawals (27.4%), general questions (13.6%), investments (10.8%), and eligibility (1.7%). The e-message screen also allows participants to provide a contact number for telephonic responses and provides 24-7 access to frequently asked questions and answers.

In-Person Agency Representative Training/Employee Briefings

By law (5 U.S.C. § 8350) the Office of Personnel Management (OPM) is required to operate a training program for retirement counselors in employing agencies. This requirement ensures that employees are able to obtain current information and a level of personal service in response to their retirement-related questions. Since 1987, we have worked synergistically with OPM to sustain a network of TSP agency representatives within the retirement counselor community. The TSP agency representatives receive training and stay current by attending specialized TSP training sessions. In 2013, 662 agency representatives attended a total of 52 training sessions led by the TSP training staff. In 2013, we submitted six training courses to OPM’s “HR University” to make it easier for benefits officers to choose and register for classes.

In addition to these “train the counselor” sessions, our training staff delivered 250 TSP briefings to civilian and uniformed service member groups in 2013. A total of 12,903 employees attended the sessions in person and another 1,305 participated from off-site via webinar, conference call, and video teleconference. We provide these sessions free to employing agencies and services. Typical responses to these training sessions are enclosed at Appendix F.

We also set up TSP exhibits at conferences and financial/benefits fairs for civilian employees and members of the uniformed services. In 2013, we participated in 31 such events, enabling our staff members to “talk TSP” with more than 5,005 attendees. A list of these events is at Appendix G.
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Appendix A: Twitter feed @TSP4GOV

Thrift Savings Plan
@tsp4gov
The official account for the Thrift Savings Plan. The TSP does not collect comments or messages on this site. Contact us here:
1.usa.gov/x3Amhl
Washington D.C. · tsp.gov

Tweets

Thrift Savings Plan @tsp4gov 3 Jan
Make investing easier. Consider choosing the L Fund timed to when you need your retirement money. 1.usa.gov/dybTbT
Expand Reply Retweet Favorite More

Thrift Savings Plan @tsp4gov 1 Jan
Happy New Year from the TSP! Make a resolution to retire with dignity. Find out how here: 1.usa.gov/iKOP5
Expand Reply Retweet Favorite More

Thrift Savings Plan @tsp4gov 30 Dec
See how much you can contribute to the TSP in 2014. 1.usa.gov/1dyP4zm
Expand Reply Retweet Favorite More

Thrift Savings Plan @tsp4gov 26 Dec
Got a new Smartphone? Check out your account using the mobile site of TSP. 1.usa.gov/iJrshek
Expand Reply Retweet Favorite More

Thrift Savings Plan @tsp4gov 24 Dec
The Federal Retirement Thrift Investment Board will be closed on
Sophie Dmuchowski won the Innovator Award in the lifetime income disclosure category by putting into action the philosophy that knowing how to spend retirement savings is as important — if not more so — than accumulating it.

She had to figure out the best way to show some 4.6 million participants in the Federal Retirement Thrift Investment Board's $3.76 trillion retirement savings plan how to approach their retirement savings. Her conclusion: the simpler the better.

“A lot of people are accumulating wealth, but some are not sure what it means,” said Ms. Dmuchowski, deputy director, office of communications and education. Specifically, participants had difficulty translating lump sums into steady income streams, to figure out how to determine their lifetime savings.

So, Ms. Dmuchowski’s team displayed in the plan’s annual participant statements the projected monthly income stream generated by the participant’s account balance. The information was placed at the front of the statement in large type. It asked one question: “Will You Be Ready For Retirement?” Having provided a monthly estimate, the document encouraged participants to consider saving more.

“We thought it would be a simple way of attracting people’s attention,” said Ms. Dmuchowski. “It’s about us. It’s about our families.”

The lifetime income illustration also attracted considerable praise from Innovator Award judges.

“This will motivate other plan sponsors,” wrote one judge. “I love that they did this without waiting for guidance from the Department of Labor. The DOL recently issued an advanced notice of proposed regulation for a lifetime income illustration on plan statements, but a final rule probably won’t be issued until mid- to late 2014.”

“I found the participant statement to be easy to read and to understand,” wrote another judge. “Hopefully, more plan sponsors will take their lead by adding this information to their statements.”

Although the final retirement income statement is simple, the process was a bit more complex. Renee Winder, director of the Office of Enterprise Planning, said in her application nominating Ms. Dmuchowski for the Innovator Award: “With so many participants, changing the annual participant statement is a major undertaking,” she wrote.

“The concept of providing the monthly income projection was first explored early in 2008. However, the income stream information was placed in a small box at the back of the 2010 fiscal year statement — the only available real estate,” Ms. Winder added. Officials began working on revising the 2012 statement in 2011.

Ms. Dmuchowski said she is happy that the plan chose a “my case” strategy to a lifetime income illustration. “A lot of times, you approach something in a clinical way it looks generic,” she said. “Participants want to know about my case.”

See the video of Ms. Dmuchowski at www.pionline.com/10113.
Appendix C: Posters and newsletters
Appendix D: Timely guidance on the effects of a furlough

**Effect of Nonpay Status on Your TSP Account**

This fact sheet explains the effects of a period of nonpay on TSP loans, contributions, and withdrawals. It is for civilian employees who are placed in nonpay status (e.g., furlough or leave without pay) and for members of the uniformed services who are in the Ready Reserve and have been given approval by their commanding officer to skip scheduled drills, or whose drills schedule is suspended over a one- or two-month period. It does not apply to employees who are in nonpay status for reasons of insubordination with a service or local government agency under the provisions of the Uniformed Service Personnel Act (USPSPA) or to employees who are in nonpay status serving in full-time officers or employees of a union.

1. **Furlough**
   - After the 1st day of the month following the date you were placed in nonpay status for a pay period (or a pay period beginning on the 1st day of the month following the date), your TSP account is suspended until the end of the nonpay status period.
   - Can I take a TSP loan while I am in nonpay status?
     - Yes. A TSP loan is paid into your TSP account, and is deducted from your pay. Therefore, if you are not earning pay, you will not be eligible for a TSP loan.
   - Can I make TSP contributions while I am in nonpay status?
     - Yes, as long as the TSP is open and you meet the eligibility requirements. You can make contributions to your TSP account as long as you are employed and not in nonpay status. Contributions made during nonpay status are deductible only when the TSP is open and you meet the eligibility requirements.

2. **Furloughed Pay**
   - If you are furloughed, your pay is reduced to the rate of basic pay you would receive if you were working a full-time or part-time job.
   - Can I take a TSP loan while I am still on furlough?
     - Yes, if your TSP account is open and you meet the eligibility requirements. You can take a TSP loan as long as your TSP account is open and you meet the eligibility requirements.

3. **Suspension**
   - When you are placed in nonpay status, your employer will make sure that your TSP account is still in good standing. This means that you will not be assessed any late fees or penalties for late contributions. However, you will not be able to make contributions to your TSP account while you are in nonpay status.
   - Can I make TSP contributions while I am in nonpay status?
     - No, because your TSP account is suspended during nonpay status.

4. **Retirement contribution**
   - If you are in nonpay status, your paycheck will be reduced by the amount of the contribution you made to your TSP account.
   - Can I make TSP contributions while I am in nonpay status?
     - No, because your TSP account is suspended during nonpay status.

5. **Loan**
   - If you have an existing TSP loan and you are placed in nonpay status, your TSP account will be suspended and your loan payments will be deferred until you are back in pay status.
   - Can I take a TSP loan while I am in nonpay status?
     - Yes, if you are still employed and your TSP account is open. You can take a TSP loan as long as your TSP account is open and you meet the eligibility requirements.

6. **Termination of Employment**
   - If you are placed in nonpay status for a year or more and you do not resume employment, your TSP account will be terminated and your contributions will be refunded to you.
   - Can I make TSP contributions while I am in nonpay status?
     - No, because your TSP account is suspended during nonpay status.

FACT SHEET

- DC 04-42 (2019): Procedure Editions Updated
Appendix E: Retirement income calculator results

### Overview

#### Monthly Income by Age in Retirement

Roll over the graph below to view your monthly income amounts by age in retirement.

![Graph](image)

Click on the items below to view or hide them on the graph.

- Monthly Payment (Fixed Dollar)
- Monthly Payment (Life Expectancy)
- Single Life Annuity (Basic Features)
- Joint Annuity/Spouse (100% Survivor)
- Joint Annuity/Spouse (50% Survivor)

#### Monthly Income

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<th>Monthly Income</th>
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<tr>
<td>80</td>
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#### A Few Notes About Your Results:

- **Monthly Payment (Fixed Dollar):** Your last year of fixed dollar monthly payments will be the year you turn 85-years-old. You will receive 1 additional monthly payment during that year.

- **Monthly Payment (Life Expectancy):** This amount is reduced the year you turn 70. This is because the IRS Single Life Table is used to calculate your payments in the years before you turn age 70, but the IRS Uniform Lifetime Table is used beginning with the year you turn 70.

- **Year-End Account Balance:** This is the estimated amount that will remain in your TSP account at the end of the year after you have received all of your monthly payments for that year. The TSP does not estimate the year-end balance for an annuity.

- **Beneficiary Participants:** The Internal Revenue Service (IRS) table that is used to calculate monthly payments based on life expectancy payments does not apply to beneficiary participants. Therefore, beneficiary participants should disregard the amounts shown for monthly payments based on life expectancy.
Appendix F: Typical responses to TSP presentations

-----Original Message-----
From: [mailto:mil@mil.health.mil] mil@mil.health.mil
Sent: Friday, December 06, 2013 2:34 PM
To: 
Subject: Thank you

Dear [Name],

I wanted to express my sincere appreciation for your TSP presentation to our staff and residents at the Orofacial Pain Center at the Naval Postgraduate Dental School today. [Subject matter expert] was the subject matter expert about TSP and more importantly was able to communicate the information in a efficient and understandable manner. She is one person on your team that I would never let go... [Name] was outstanding!!

Thanks for your support; we may ask for another TSP presentation for a larger command group in the near future.

Happy Holidays,

Dr. [Name]

Orofacial Pain Center
Naval Postgraduate Dental School
Bethesda, MD 20816

From: [mailto:OASID.gov] OASID.gov
Sent: Tuesday, September 03, 2013 4:20 PM
To: [Name]
Cc: 
Subject: Mr. [Name]'s Outstanding TSP Presentation to USAID

Mr. [Name],

I feel compelled to write you in regards to the outstanding TSP presentation recently provided to USAID by Mr. [Name]. Mr. [Name] is the most knowledgeable and highly informed professional government employee that I’ve ever encountered. I mean that sincerely. He knows and understands every possible detail related to the TSP and not only provided an exceptional presentation but was also able to answer very specific and highly complex questions related to the Program. While he was appropriately careful not to directly provide any financial advice, his very informed and comprehensive explanations provided enough information for people to be able to make their own “informed” decisions.

Mr. [Name] remained after the presentation to discuss individual questions and expound on details not required within the larger forum. He said he would remain until every question was answered and then provided his business card with an offer to respond to any additional questions directed to him.

Regards,

[Name]

USAID M/CIO/ITSD/KM
Two Potomac Yard
Crystals City, Virginia

Good Morning Ma’am,

I’d like to express my gratitude to your office, especially Ms. [Name] and Mr. [Name], for all of the help provided to me, [Name], and our Coast Guard members.

After all of the trials and tribulations we went through setting things up, our training went off yesterday without a hitch!

We had a good mix of people (active duty, reserve, and civilians) attend, and our numbers were in excess of 50. Our members were introduced to some things for the first time, and all of their questions were answered thoroughly and professionally. Mr. [Name] was fantastic, and the overwhelmingly positive response made it up to our Captain before I could make it up to his office to report how things went.

Thank you again for all of your help; I appreciate you and your team immensely.

Respectfully,

[Name]
## Appendix G: TSP representation at benefits fairs and conferences

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