Agenda

- Introduction
- Contribution rules
- TSP benefits
- Portability
- Participant resources
- Investment options

As of March 1, 2011
Agenda

- Loan program
- In-service withdrawals
- Post-service withdrawals
- Death benefits

As of March 1, 2011
Retirement Program Categories

- Defined Benefit Program
  - Pre-determined formula based on years worked and average salary
  - CSRS and FERS Basic Annuity

- Defined Contribution Program
  - Benefit based on contributions and return on investments
  - TSP and 401(k) type plans

As of March 1, 2011
CSRS and CSRS Offset

- Defined benefit program
- One-tiered benefit based on a formula of years worked and average salary
- Rewards employees for longevity
  - Up to 42 years of service
- Pays a maximum of 80% of highest 3 year average grade and step
  - Sick leave can increase benefit over 80%

As of March 1, 2011
FERS

- Three-tiered retirement system comprised of defined benefit and defined contribution programs
- Basic annuity component administered by the OPM
  - Based on years worked and high-3 average salary
- Social Security component administered by the Social Security Administration (SSA)
  - Benefit pays a percentage replacement rate of average salary earned from Social Security deductions
- TSP component is administered by the FRTIB
  - Benefit received based on contributions and return on investments

As of March 1, 2011
Comparison of Federal “Pensions”

Understanding Why Some Civilians Receive Matching Contributions

Basic Pension Formulas:

- Uniformed Services formula* is 2.5% for each year of service (20 years = 50%; 30 years = 75% of final or high 3; If Redux taken, 20 years = 42% of high 3; 30 years = 75% of high 3)

- CSRS LE/FF/ATC formula* is 2.5% for the first 20 years of LE/FF/ATC service, then 2% for additional years (20 years = 50%; 30 years = 70% of high 3)

- CSRS** formula is @ 2% for each year of service (20 years = 36 ¼%; 30 years = 56¼% of high 3)

* Uniformed Services, CSRS, and FERS LE/FF/ATC retirees receive COLA on pension each year. Regular FERS pension fixed with COLA delayed until age 62 without additional 1% on CPI

** *Regular CSRS and FERS employees must be age 60 to retire with 20 years of service or age 55 with 30 years of service under CSRS and between age 55-57 to retire with 30 years of service under FERS

As of March 1, 2011
Comparison of Federal “Pensions”
Understanding Why Some Civilians Receive Matching Contributions

Basic Pension Formulas:

- FERS LE/FF/ATC formula is 1.7% for 20 years of LE/FF/ATC service, 1% of salary for additional years of any Federal service (20 years = 34%; 30 years = 44% of high 3)
- FERS** formula is 1% for each year of service, formula increases to 1.1% for each year if age 62 or older with at least 20 years of service (20 years = 20%; 30 years = 30% of high 3)

* *Regular CSRS and FERS employees must be age 60 to retire with 20 years of service or age 55 with 30 years of service under CSRS and between age 55-57 to retire with 30 years of service under FERS

As of March 1, 2011
CSRS vs. FERS Annuity

<table>
<thead>
<tr>
<th>John Smith – CSRS** Employee</th>
<th>Jane Smith – FERS* Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of Service = 30 years</td>
<td>Years of Service = 30 years</td>
</tr>
<tr>
<td>High-3 Average Salary =$100,000</td>
<td>High-3 Average Salary =$100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CSRS Annuity Formula</th>
<th>FERS Annuity Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Yrs. of Service – 2) x 2%) + .25%) x High-3</td>
<td>(Yrs. of Service) x 1% x High-3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>John’s Annuity Calculation</th>
<th>Jane’s Annuity Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>56.25% x $100,000 = $56,250</td>
<td>30% x $100,000 = $30,000</td>
</tr>
</tbody>
</table>

**FERS employees will also receive Social Security benefits
**TSP is a crucial retirement component for FERS employees
*TSP is supplemental income for many CSRS employees

As of March 1, 2011
Contribution Rules - FERS

- **Employee Contributions**
  - All new and rehired employees auto-enrolled at 3% (opt out option)
  - Elections to start, change, and stop contributions can be made at any time
  - Any whole dollar amount or percentage up to IRS elective deferral limit ($16,500 for 2011)
  - Always vested

- **Agency Contributions**
  - Agency Automatic (1%) Contributions
    - Subject to vesting
    - Not based on Employee Contributions
  - Agency Matching Contributions
    - Based on first 5% of Employee Contributions
    - 4% maximum
      - $1/$1 for 1st 3%
      - 50¢/$1 for next 2%
    - Always vested

As of March 1, 2011
# Maximizing Agency Matching Contributions

- Ed and Susan earn the same annual salary of $130,000; bi-weekly $4,983.22
- Ed elects 20% and Susan elects 13% to contribute to the TSP
- Both will contribute $16,500 this year, however Ed will **not** maximize his agency contributions
- Ed and Susan will both receive $1,295.58 in Agency Automatic (1%) Contributions

### ED - $4,983.22 Basic Pay

<table>
<thead>
<tr>
<th>Pay</th>
<th>20% EC</th>
<th>4% Matching</th>
</tr>
</thead>
<tbody>
<tr>
<td>check #1</td>
<td>$996.64</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #2</td>
<td>$996.64</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #3</td>
<td>$996.64</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #4</td>
<td>$996.64</td>
<td>$199.32</td>
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<tr>
<td>PC #16</td>
<td>$996.64</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #17</td>
<td>$553.76</td>
<td>$199.32</td>
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<tr>
<td><strong>Total PC #17</strong></td>
<td><strong>$16,500.00</strong></td>
<td><strong>$3,388.44</strong></td>
</tr>
</tbody>
</table>

### SUSAN - $4,983.22 Basic Pay

<table>
<thead>
<tr>
<th>Pay</th>
<th>13% EC</th>
<th>4% Matching</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC #1</td>
<td>$ 647.82</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #2</td>
<td>$ 647.82</td>
<td>$199.32</td>
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<tr>
<td>PC #3</td>
<td>$ 647.82</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #4</td>
<td>$ 647.82</td>
<td>$199.32</td>
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<tr>
<td>PC #16</td>
<td>$ 647.82</td>
<td>$199.32</td>
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<tr>
<td>PC #17</td>
<td>$ 647.82</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #18</td>
<td>$ 647.82</td>
<td>$199.32</td>
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<tr>
<td>PC #19</td>
<td>$ 647.82</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #25</td>
<td>$647.82</td>
<td>$199.32</td>
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<tr>
<td>PC #26</td>
<td>$304.50</td>
<td>$199.32</td>
</tr>
<tr>
<td><strong>Total PC #26</strong></td>
<td><strong>$16,500.00</strong></td>
<td><strong>$5,182.32</strong></td>
</tr>
</tbody>
</table>

As of March 1, 2011
TSP Contribution Rules - CSRS

- Employee Contributions
  - All rehired CSRS employees auto-enrolled at 3% (opt out option)
  - Elections to start, change, and stop contributions can be made at any time
  - Any dollar amount or percentage up to IRS elective deferral limit ($16,500 for 2011)
  - Always vested

- No Agency Contributions

As of March 1, 2011
Catch-Up Contributions

- Participants age 50 or older may make additional tax-deferred contributions to the TSP
  - Must be age 50 or older, or will turn age 50 in the calendar year the contribution is deducted from pay
  - Cannot be in the 6-month termination period because of a TSP financial hardship in-service withdrawal
  - Must self-certify election to make regular contributions up to the maximum amount allowed by the IRC and TSP plan rules
- Maximum contribution for 2011 is $5,500
- Catch-up contributions are in addition to the regular TSP employee contributions
  ($16,500 + $5,500 = $22,000)

As of March 1, 2011
Catch-Up Contributions

- Catch-up contributions are made through payroll deduction only and are not matched
- Elections to start, change, and stop contributions can be made at any time
- Catch-up contributions will not continue into the next calendar year; a new election must be submitted for each calendar year

As of March 1, 2011
TSP Tax-Deferral Basics

- All participants currently receive a Federal tax deferral on contributions made to the TSP
- Contributions are deducted from pay before Federal taxes are withheld
- Federal taxes are computed and withheld only from the reduced salary
- Participants defer taxes on the TSP account until a withdrawal of the account is made
- Deferral of State or County taxes is determined by each individual jurisdiction

As of March 1, 2011
Tax-Deferral Example

Bi-Weekly Basic Pay $1,408.00
TSP Election: X 10%
TSP Deduction: $140.80
Basis for Federal Tax Withholding $1,408.00
- $140.80
Taxable Income: $1,267.20

Annual Income Earned: $36,608.00
Annual TSP Contributions: - $3,660.80
Taxable Income: $32,947.20

As of March 1, 2011
Roth TSP - Implementation

- Expected implementation 2012
  - Or as soon as possible thereafter by the agency or service
- Allows participant to elect to designate all or a portion of contributions elected through payroll to be contributed as post-tax Roth or pre-tax deferred
  - Roth contribution may accrue tax-free earnings
  - Tax-deferred contributions continue to accrue tax-deferred earnings
- Roth designation made at agency payroll level prior to contribution deposited into the TSP

As of March 1, 2011
Roth TSP - Limits

- The TSP limit is based on the I.R.C elective deferral, and for age eligible, catch-up limit set by the IRS each year

- The Roth limit is equal to the elective deferral and catch-up limit

  - Elective deferral limit of $16,500 and catch-up of $5,500 = Roth limit of $16,500 and Roth catch-up of $5,500

As of March 1, 2011
Roth TSP - Distributions

- **Qualified (tax-free) distribution**
  - Age 59 ½; disabled; or deceased AND,
  - First TSP Roth contribution must meet 5-year rule
    - Prior participation in a Roth 401(k) transferred into TSP counts toward 5-year rule
    - Once 5-year rule is met, participant retains it for the life of their TSP account

- **Unqualified distributions**
  - Earnings subject to tax
  - 10% early withdrawal penalty rules are applied to earnings in the same manner as the tax-deferred portion of a participant’s TSP account
    - Note: portion of the balance that is tax-deferred is not subject to the 10 percent early withdrawal penalty tax if the participant is age 55 or older in the year he/she separates from Federal service.

As of March 1, 2011
Effects of Tax-Deferred Contributions

- Elective deferrals reduce current year AGI, so they may also
  - Create or enhance eligibility for the Saver’s Credit
  - Increase certain itemized deductions
  - Allow high-income taxpayers to make Roth IRA contributions in addition to TSP
  - Reduce the likelihood of Alternative Minimum Tax (AMT) exposure

- Distributions of tax-deferred contributions will be taxed as ordinary income when received, so they may
  - Be taxed at lower rates, if income is lower
  - Be taxed at higher rates, if tax rates increase

- Tax-deferred balances are also subject to
  - Required minimum distribution rules
  - Income taxes when paid to beneficiaries

As of March 1, 2011
Effects of Roth Contributions

- Roth contributions do not reduce current year AGI
  - May exclude some participants from Saver’s Tax Credit
- Electing Roth may cause high earners to lose other tax-saving opportunities
  - Certain itemized deductions are reduced by a percentage of AGI - higher AGI results in smaller deductions
  - Eligibility for Roth IRA contributions is phased out at higher income levels
  - Higher AGI may also trigger AMT
- Qualified distributions are tax-free
- Provide a “hedge” against higher future tax rates
- May be transferrable to a Roth IRA to avoid Required Minimum Distributions

As of March 1, 2011
### Tax-Advantaged Savings

**Do you need the benefit now . . .?**

<table>
<thead>
<tr>
<th>Mike makes tax-deferred contributions</th>
<th>Ike makes Roth contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>income</td>
<td>$40,000</td>
</tr>
<tr>
<td>minus TSP</td>
<td>-$2,000</td>
</tr>
<tr>
<td>contributions</td>
<td></td>
</tr>
<tr>
<td>taxable income</td>
<td>$38,000</td>
</tr>
<tr>
<td>minus estimated Federal income tax</td>
<td></td>
</tr>
<tr>
<td>after-tax income</td>
<td></td>
</tr>
<tr>
<td>minus estimated savings</td>
<td>-$5,688*</td>
</tr>
<tr>
<td>federal income tax</td>
<td></td>
</tr>
<tr>
<td>spendable income</td>
<td>$32,312</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

By contributing before-tax money to the TSP, Mike reduces his taxes and has $500 more to cover everyday expenses.

*IRS Publication 2010 Inst 1040

As of March 1, 2011
When Mike and Ike withdraw their balance:

<table>
<thead>
<tr>
<th>Mike’s tax-deferred contributions and earnings will be subject to income tax</th>
<th>Ike’s Roth contributions and earnings may be withdrawn tax-free</th>
</tr>
</thead>
<tbody>
<tr>
<td>future value of $2,000*</td>
<td>future value of $2,000*</td>
</tr>
<tr>
<td>minus estimated Federal income tax*</td>
<td>minus estimated Federal income tax*</td>
</tr>
<tr>
<td>spendable income</td>
<td>spendable income</td>
</tr>
<tr>
<td>$8,077</td>
<td>$8,077</td>
</tr>
<tr>
<td>-$1,209</td>
<td>-$0</td>
</tr>
<tr>
<td>$6,868</td>
<td>$8,077</td>
</tr>
</tbody>
</table>

In exchange for paying taxes up front and adhering to the Roth qualified distribution rules, Ike has more money to spend in retirement

*assumes 20 years of compound growth and 7% annual rate of return
**assumes same effective tax rate as previous slide

As of March 1, 2011
# Retirement Savings Contribution Credit

As of March 1, 2011

<table>
<thead>
<tr>
<th>Adjusted Gross Income (AGI) limits for 2010</th>
<th>Credit Max Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married Filing Joint</td>
<td></td>
</tr>
<tr>
<td>$ 1 - $33,500</td>
<td>50% of contributions</td>
</tr>
<tr>
<td>$33,501 - $36,000</td>
<td>20% of contributions</td>
</tr>
<tr>
<td>$36,001 - $55,500</td>
<td>10% of contributions</td>
</tr>
<tr>
<td>Over $55,500</td>
<td>No Credit</td>
</tr>
<tr>
<td>Head of Household</td>
<td>50% of contributions</td>
</tr>
<tr>
<td>$1 - $25,125</td>
<td></td>
</tr>
<tr>
<td>$25,126 - $27,000</td>
<td>20% of contributions</td>
</tr>
<tr>
<td>$27,001 - $41,625</td>
<td>10% of contributions</td>
</tr>
<tr>
<td>Over $41,625</td>
<td></td>
</tr>
<tr>
<td>All Other Filers</td>
<td>10% of contributions</td>
</tr>
<tr>
<td>$ 1 - $16,750</td>
<td></td>
</tr>
<tr>
<td>$16,751 - $18,000</td>
<td>10% of contributions</td>
</tr>
<tr>
<td>$18,000 - $27,750</td>
<td></td>
</tr>
<tr>
<td>Over $27,750</td>
<td></td>
</tr>
</tbody>
</table>
## Retirement Savings Contribution Credit

As of March 1, 2011

<table>
<thead>
<tr>
<th>Adjusted Gross Income (AGI) limits for 2011</th>
<th>Credit Max Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Married Filing Joint</strong></td>
<td></td>
</tr>
<tr>
<td>$1 - $34,000</td>
<td>50% of contributions</td>
</tr>
<tr>
<td>$34,001 - $36,500</td>
<td>20% of contributions</td>
</tr>
<tr>
<td>$36,501 - $56,500</td>
<td>10% of contributions</td>
</tr>
<tr>
<td>Over $56,500</td>
<td>No Credit</td>
</tr>
<tr>
<td><strong>Head of Household</strong></td>
<td></td>
</tr>
<tr>
<td>$1 - $25,500</td>
<td></td>
</tr>
<tr>
<td>$25,501 - $27,375</td>
<td></td>
</tr>
<tr>
<td>$27,376 - $42,375</td>
<td></td>
</tr>
<tr>
<td>Over $42,375</td>
<td></td>
</tr>
<tr>
<td><strong>All Other Filers</strong></td>
<td></td>
</tr>
<tr>
<td>$1 - $17,000</td>
<td></td>
</tr>
<tr>
<td>$17,001 - $18,250</td>
<td></td>
</tr>
<tr>
<td>$18,251 - $28,250</td>
<td></td>
</tr>
<tr>
<td>Over $28,250</td>
<td></td>
</tr>
</tbody>
</table>
Retirement Savings Contribution Credit Example

<table>
<thead>
<tr>
<th>Tax Status</th>
<th>Married Filing Joint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Income Earned</td>
<td>$36,608.00</td>
</tr>
<tr>
<td>10% tax-deferred to TSP</td>
<td>- $3,660.80</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>$32,947.20</td>
</tr>
</tbody>
</table>

- Eligible for maximum credit based on reduced taxable income
- Federal taxes owed between $1 and $1,000.00 will be reduced
- For example, if the participant owed $500 in taxes, the $500 tax liability would be eliminated; if the participant owed $2,000 in taxes then he would owe $1,000 after the credit is applied

As of March 1, 2011
TSP Transfers and Rollovers

- Active or separated participants may transfer or rollover into the TSP money from:
  - Eligible employer plans under the IRC
    - e.g. 401(k), 403(a), 403(b) or 457(b) governmental plans
  - Traditional, SIMPLE, and SEP individual retirement accounts or annuities (IRAs) under section 408(a) or 408(b) of the IRC
    - Does not include Roth, education, or inherited IRAs
    - Transfer from a SIMPLE IRA must be accompanied by documentation showing at least two years of participation
- Submit Form TSP-60 available from the TSP website
- The amount transferred or rolled over into the TSP account is allocated according to the current contribution allocation on file
- The amount will be reflected as employee contributions in the account after it has been valued by the TSP

As of March 1, 2011
Contribution Elections

- Participants may elect to start, stop, change, or resume contributions at any time
  - Election to contribute is submitted to agency only
  - TSP cannot process elections to deduct from pay
  - Elections must be expressed in whole dollar or whole percentage amounts
- Form TSP-1 used by employees to elect to contribute (electronic versions can also be used – MyPay, Employee Self-Service, PostalEase, Best, EBIS, etc.)
- The election is effective the first full pay period after receipt by the agency
- Catch-up contributions require a separate TSP election

As of March 1, 2011
Contribution Allocation or Interfund Transfer?

When you want to “change” your investments, make sure you make the correct investment election!

Contribution Allocation
- Allocates future contributions and loan payments until superseded by new allocation election
- ThriftLine, or Web site
- Change in allocation is generally effective as of close of business each day based on 12 noon ET cutoff
- Confirmation via website or mail

Interfund Transfer
- One-time transaction; account balance remains as invested until participant makes another interfund transfer
- ThriftLine, or Web site
- Change in account balance distribution is generally effective as of close of business each day based on 12 noon ET cutoff
- Confirmation via website or mail

As of March 1, 2011
Interfund Transfer Rule

- For each calendar month, the *first two* interfund transfers can redistribute money in a participant’s account among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund.

**Example**

<table>
<thead>
<tr>
<th></th>
<th>G</th>
<th>F</th>
<th>C</th>
<th>S</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80%</td>
<td></td>
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<td>20%</td>
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<td></td>
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</tbody>
</table>

Balance at beginning of month

<table>
<thead>
<tr>
<th></th>
<th>G</th>
<th>F</th>
<th>C</th>
<th>S</th>
<th>I</th>
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<tbody>
<tr>
<td></td>
<td>100%</td>
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<td></td>
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</table>

First IFT in month

<table>
<thead>
<tr>
<th></th>
<th>G</th>
<th>F</th>
<th>C</th>
<th>S</th>
<th>I</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
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<td></td>
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Second IFT in month

<table>
<thead>
<tr>
<th></th>
<th>G</th>
<th>F</th>
<th>C</th>
<th>S</th>
<th>I</th>
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<tbody>
<tr>
<td></td>
<td>40%</td>
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<td></td>
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</table>

Next IFT in same month - Increase G Fund

<table>
<thead>
<tr>
<th></th>
<th>G</th>
<th>F</th>
<th>C</th>
<th>S</th>
<th>I</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>55%</td>
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</tr>
</tbody>
</table>

Another IFT in same month - Increase G Fund
The 10 TSP Investment Funds

- Government Securities Investment (G) Fund
- Fixed Income Index Investment (F) Fund
- Common Stock Index Investment (C) Fund
- U.S. Small-capitalization Stock Index Investment (S) Fund
- International Stock Index Investment (I) Fund
- Lifecycle Investment (L) Funds

As of March 1, 2011
### TSP Funds Annual and Monthly Returns

**March 1, 2011**

<table>
<thead>
<tr>
<th>Year</th>
<th>L 2050</th>
<th>L 2040</th>
<th>L 2030</th>
<th>L 2020</th>
<th>L Income</th>
<th>G Fund</th>
<th>F Fund</th>
<th>C Fund</th>
<th>S Fund</th>
<th>I Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>N/A</td>
<td>16.53%</td>
<td>15.00%</td>
<td>13.72%</td>
<td>7.59%</td>
<td>4.93%</td>
<td>4.40%</td>
<td>15.79%</td>
<td>15.30%</td>
<td>26.32%</td>
</tr>
<tr>
<td>2007</td>
<td>N/A</td>
<td>7.36%</td>
<td>7.14%</td>
<td>6.87%</td>
<td>5.56%</td>
<td>4.87%</td>
<td>7.09%</td>
<td>5.54%</td>
<td>11.43%</td>
<td>5.49%</td>
</tr>
<tr>
<td>2008</td>
<td>(31.53%)</td>
<td>(27.50%)</td>
<td>(22.77%)</td>
<td>(5.09%)</td>
<td>3.75%</td>
<td>5.45%</td>
<td>(36.99%)</td>
<td>(38.32%)</td>
<td>(42.43%)</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>N/A</td>
<td>25.19%</td>
<td>22.48%</td>
<td>19.14%</td>
<td>8.57%</td>
<td>2.97%</td>
<td>6.71%</td>
<td>26.68%</td>
<td>34.85%</td>
<td>30.04%</td>
</tr>
<tr>
<td>2010</td>
<td>N/A</td>
<td>13.89%</td>
<td>12.48%</td>
<td>10.59%</td>
<td>5.74%</td>
<td>2.81%</td>
<td>15.06%</td>
<td>29.06%</td>
<td>7.94%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>L 2050</th>
<th>L 2040</th>
<th>L 2030</th>
<th>L 2020</th>
<th>L Income</th>
<th>G Fund</th>
<th>F Fund</th>
<th>C Fund</th>
<th>S Fund</th>
<th>I Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar</td>
<td>–</td>
<td>5.15%</td>
<td>4.52%</td>
<td>3.75%</td>
<td>1.43%</td>
<td>0.27%</td>
<td>(0.11%)</td>
<td>6.04%</td>
<td>7.39%</td>
<td>6.28%</td>
</tr>
<tr>
<td>Apr</td>
<td>–</td>
<td>1.05%</td>
<td>0.94%</td>
<td>0.76%</td>
<td>0.50%</td>
<td>0.28%</td>
<td>1.07%</td>
<td>1.58%</td>
<td>4.82%</td>
<td>(2.35%)</td>
</tr>
<tr>
<td>May</td>
<td>–</td>
<td>(6.97%)</td>
<td>(6.07%)</td>
<td>(4.98%)</td>
<td>(1.50%)</td>
<td>0.28%</td>
<td>0.85%</td>
<td>(7.99%)</td>
<td>(7.51%)</td>
<td>(11.20%)</td>
</tr>
<tr>
<td>June</td>
<td>–</td>
<td>(3.47%)</td>
<td>(2.98%)</td>
<td>(2.34%)</td>
<td>(0.61%)</td>
<td>0.24%</td>
<td>1.56%</td>
<td>(5.24%)</td>
<td>(6.90%)</td>
<td>(1.75%)</td>
</tr>
<tr>
<td>July</td>
<td>–</td>
<td>6.60%</td>
<td>5.80%</td>
<td>4.82%</td>
<td>1.81%</td>
<td>0.23%</td>
<td>1.07%</td>
<td>7.01%</td>
<td>7.00%</td>
<td>10.78%</td>
</tr>
<tr>
<td>Aug</td>
<td>–</td>
<td>(3.33%)</td>
<td>(2.88%)</td>
<td>(2.29%)</td>
<td>(0.63%)</td>
<td>0.22%</td>
<td>1.28%</td>
<td>(4.51%)</td>
<td>(5.59%)</td>
<td>(3.14%)</td>
</tr>
<tr>
<td>Sept</td>
<td>–</td>
<td>7.76%</td>
<td>6.77%</td>
<td>5.54%</td>
<td>2.00%</td>
<td>0.17%</td>
<td>0.17%</td>
<td>8.92%</td>
<td>11.47%</td>
<td>9.81%</td>
</tr>
<tr>
<td>Oct</td>
<td>–</td>
<td>3.16%</td>
<td>2.78%</td>
<td>2.29%</td>
<td>0.92%</td>
<td>0.18%</td>
<td>0.36%</td>
<td>3.80%</td>
<td>4.48%</td>
<td>3.63%</td>
</tr>
<tr>
<td>Nov</td>
<td>–</td>
<td>(0.64%)</td>
<td>(0.56%)</td>
<td>(0.49%)</td>
<td>(0.05%)</td>
<td>0.17%</td>
<td>(0.57%)</td>
<td>0.01%</td>
<td>3.00%</td>
<td>(4.84%)</td>
</tr>
<tr>
<td>Dec</td>
<td>–</td>
<td>5.67%</td>
<td>4.96%</td>
<td>4.08%</td>
<td>1.49%</td>
<td>0.20%</td>
<td>(1.05%)</td>
<td>6.68%</td>
<td>7.38%</td>
<td>8.12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>L 2050</th>
<th>L 2040</th>
<th>L 2030</th>
<th>L 2020</th>
<th>L Income</th>
<th>G Fund</th>
<th>F Fund</th>
<th>C Fund</th>
<th>S Fund</th>
<th>I Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Jan</td>
<td>1.75%</td>
<td>1.57%</td>
<td>1.35%</td>
<td>0.63%</td>
<td>0.24%</td>
<td>0.13%</td>
<td>2.37%</td>
<td>1.23%</td>
<td>2.41%</td>
</tr>
<tr>
<td></td>
<td>Feb</td>
<td>3.28%</td>
<td>2.95%</td>
<td>2.60%</td>
<td>2.15%</td>
<td>0.90%</td>
<td>0.22%</td>
<td>3.42%</td>
<td>4.52%</td>
<td>3.33%</td>
</tr>
<tr>
<td></td>
<td>Last 12 Months</td>
<td>20.22%</td>
<td>17.93%</td>
<td>15.01%</td>
<td>7.06%</td>
<td>2.74%</td>
<td>5.09%</td>
<td>22.55%</td>
<td>33.43%</td>
<td>20.37%</td>
</tr>
</tbody>
</table>

Percentages in ( ) are negative.
The average expense ratio for mutual index funds is 0.262%, or $2.62 per $1,000 (Lipper, Inc., 2009); median 401(k) expenses are .72%, or $7.20 per $1,000 (Investment Company Institute, 2009).

In 2010 the average expense ratio for the TSP was 0.025%, or $0.25 per $1,000 (Net administrative expenses are investment management fees after forfeitures).

Administrative expenses after June 2004 are reduced by loan fees ($50 per loan).

As of March 1, 2011
G Fund

- Invested in nonmarketable U.S. Treasury Securities with 1 to 4 day maturities
- Rate is set once a month by the Treasury Department
- Rate based on closing market prices of all Treasury securities with 4 or more years to maturity
- No risk of loss (negative returns) in G Fund
- Managed in-house by the Board

As of March 1, 2011
THrift savings Plan fact sheet

Monthly G fund interest rates

March 1, 2011

The following are monthly G fund interest rates from January 2002 to the present, stated as annual rates. These rates are calculated based on the statutory formula. They do not reflect actual G Fund returns to participant accounts.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>5.250</td>
<td>4.000</td>
<td>4.250</td>
<td>4.250</td>
<td>4.500</td>
<td>4.750</td>
<td>4.000</td>
<td>2.125</td>
<td>3.500</td>
<td>2.875</td>
</tr>
<tr>
<td>March</td>
<td>5.125</td>
<td>3.875</td>
<td>4.000</td>
<td>4.375</td>
<td>4.625</td>
<td>4.625</td>
<td>3.375</td>
<td>2.875</td>
<td>3.125</td>
<td>3.000</td>
</tr>
<tr>
<td>April</td>
<td>5.625</td>
<td>4.000</td>
<td>3.875</td>
<td>4.500</td>
<td>5.000</td>
<td>4.750</td>
<td>3.375</td>
<td>2.500</td>
<td>3.375</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>5.250</td>
<td>4.000</td>
<td>4.500</td>
<td>4.250</td>
<td>5.125</td>
<td>4.625</td>
<td>3.750</td>
<td>2.875</td>
<td>3.250</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>5.250</td>
<td>3.500</td>
<td>4.625</td>
<td>4.125</td>
<td>5.125</td>
<td>5.000</td>
<td>4.000</td>
<td>3.250</td>
<td>2.875</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>5.000</td>
<td>3.500</td>
<td>4.625</td>
<td>4.000</td>
<td>5.250</td>
<td>5.000</td>
<td>3.875</td>
<td>3.250</td>
<td>2.625</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>4.750</td>
<td>3.500</td>
<td>4.500</td>
<td>4.375</td>
<td>5.000</td>
<td>4.750</td>
<td>3.875</td>
<td>3.250</td>
<td>2.500</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>3.875</td>
<td>4.000</td>
<td>4.125</td>
<td>4.375</td>
<td>4.750</td>
<td>4.500</td>
<td>3.625</td>
<td>3.000</td>
<td>2.125</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>4.500</td>
<td>4.375</td>
<td>4.375</td>
<td>4.625</td>
<td>4.500</td>
<td>4.000</td>
<td>2.750</td>
<td>2.875</td>
<td>2.375</td>
<td></td>
</tr>
</tbody>
</table>
F Fund

- Tracks the Barclays Capital U.S. Aggregate Bond Index
- U.S. Aggregate index represents sectors of the U.S. bond markets
  - Government/Government-related securities
  - Asset backed securities
  - Credit

As of March 1, 2011
F Fund

- Managed by BlackRock Institutional Trust Company, NA in BlackRock’s U.S. Debt Index Fund
- Index information and values can be found at https://ecommerce.barcap.com/indices/index.dxml

As of March 1, 2011
U.S. Aggregate Index - Bond Market
Sectors
December 31, 2009

- Credit: 23%
- Government/Government related: 37%
- Asset-backed securities: 40%

As of March 1, 2011
C Fund

- Replicates the Standard & Poor’s (S&P) 500 stock index
- S&P 500 index contains common stocks of 500 companies that represent the U.S. stock markets
- The total dollar value of the stocks in the S&P 500 makes up approximately 75% of the value of the U.S. stock markets

As of March 1, 2011
C Fund

- Managed by BlackRock Institutional Trust Company, NA in BlackRock’s Equity Index Fund
- Index information and values can be found at www.spglobal.com

As of March 1, 2011
S&P 500 Index - Major Industry Groups
December 31, 2009

As of March 1, 2011
S Fund

- Tracks the Dow Jones U.S. Completion Total Stock Market (TSM) Index
- The index contains all common stocks (except those in the S&P 500 index) actively traded in the U.S. stock markets on a daily basis
- The total dollar value of the stocks in the index makes up approximately 25% of the value of the U.S. stock markets

As of March 1, 2011
S Fund

- Managed by BlackRock Institutional Trust Company, NA in BlackRock’s Extended Market Index Fund
- Index information and values can be found at www.djindexes.com/totalstockmarket

As of March 1, 2011
DJ US Completion TSM Index
Major Industry Groups
December 31, 2009

- Financials: 24.2%
- Industrials: 13.4%
- Information Tech: 15.0%
- Energy: 6.8%
- Health Care: 11.5%
- Consumer Discretionary: 13.7%
- Materials: 5.9%
- Telecomms Svcs: 1.8%
- Utilities: 4.3%
- Consumer Staples: 3.4%

As of March 1, 2011
I Fund

- Replicates the MSCI/BARRA Europe, Australasia, and Far East (EAFE) stock index
- EAFE contains stocks that cover approximately 85% of the stock markets of the 22 developed countries included in the index
- EAFE contains approximately 957 stocks that best represent each of the 22 stock markets

As of March 1, 2011
I Fund

- Managed by BlackRock Institutional Trust Company, NA in BlackRock’s EAFE Index Fund
- Index information and values can be found at www.mscibarra.com

As of March 1, 2011
World Stock Markets
Allocation of Stock Market Value*
December 31, 2009

USA
42%

EAFE Countries
41%

Emerging Markets
13%

Canada
4%

*Allocation of MSCI ACWI Index. Source is FactSet Research Systems
As of March 1, 2011
Growth of $100
1990 – 2010

TSP Fund’s Benchmark Indexes

F Fund - Barclays Capital U.S. Aggregate Bond Index
C Fund - Standard and Poor’s 500 Stock Index
S Fund - Dow Jones U.S. Completion Total Stock Market Index
I Fund - Morgan Stanley’s Europe, Australasia, and Far East (EAFE) Stock Index
G Fund

Inflation


$0 $100 $200 $300 $400 $500 $600 $700 $800

S Fund $796
C Fund $575
F Fund $379
I Fund $311
G Fund $292
Inflation $164
TSP L Funds

- The L Funds are geared toward participants who do not have the:
  - Time
  - Interest
  - Comfort level to make active investment decisions among the funds
- Investment in the L Funds does not protect the participant from investment losses
- The L Funds are based on time horizon; the years 2050, 2040, 2030, 2020, or Today

As of March 1, 2011
TSP L Funds

♦ It’s simple
  – Make one decision: When will you need your money?

♦ It’s maintenance free
  – The L Funds are professionally designed and adjust automatically

♦ It’s low cost
  – No additional costs

♦ It’s flexible
  – Transfer to individual TSP funds at any time

As of March 1, 2011
L Funds

- The five Lifecycle Funds
  - L 2050 Fund
    - Time horizon 2045 and later
  - L 2040 Fund
    - Time horizon 2035 through 2044
  - L 2030 Fund
    - Time horizon 2025 through 2034
  - L 2020 Fund
    - Time horizon 2015 through 2024
  - L Income Fund
    - For those already withdrawing their account or within a few years

- In December 2010, the L 2010 Fund was incorporated into the L Income Fund

- The L 2050 Fund was established in January 2011

As of March 1, 2011
L Income Fund Investment Allocation

- Note: When each L Fund reaches its target date, its distribution will match the L Income Fund investment and it will “roll into” the L Income Fund.
- A new L Fund will be introduced when an L Fund reaches its target date.

As of March 1, 2011
L 2040 Investment Allocation Cycle

As of March 1, 2011

Month       Year
August      2005

G Fund      5.00%
F Fund      10.00%
C Fund      42.00%
S Fund      18.00%
I Fund      25.00%
Participant Statements

- Quarterly statements available at the end of each quarter
  - Can be viewed and printed from the TSP website
  - First statement is mailed; subsequent statements available on the TSP website
  - Can be mailed if requested:
    - Call the ThriftLine
    - Account access section of the TSP website

- Annual statements are mailed and posted on the TSP website
  - Participant may opt out of mailed annual statement
    - Call the ThriftLine
    - Account access section of the TSP website

As of March 1, 2011
THrift Savings Plan
Participant Statement

As of March 1, 2011

Your Quarterly Account Summary

<table>
<thead>
<tr>
<th>TSP Funds</th>
<th>Beginning Balance</th>
<th>Contributions and Additions</th>
<th>Withdrawals and Deductions</th>
<th>Interfund Transfers</th>
<th>Change in Value from Previous Quarter</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifecycle Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L 2040</td>
<td>This space shows your balance at the beginning of the quarter</td>
<td>This space shows the dollar amount(s) that went into your account during the statement period.</td>
<td>This space shows the net amount of money that went into, or came out of, a fund as a result of interfund transfers.</td>
<td>This space shows the balance in each of your investment funds at the end of the quarter.</td>
<td>This space shows your total account balance.*</td>
<td></td>
</tr>
<tr>
<td>L 2030</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Funds</td>
<td>your investment funds.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Fund</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Your balance includes: This space shows the annual total of any catch-up contributions and the cumulative total of any tax-exempt money in your account.

How your future contributions and loan payments were allocated as of March 1, 2011:

- This space shows how you elected to invest your new contributions and loan payments at the end of the quarter.

How your ending account balance was distributed as of March 1, 2011:

- This space shows what percentage of your entire balance was in each of your investment funds at the end of the quarter. The information is displayed in the pie chart.
As of March 1, 2011

### YOUR QUARTERLY LOAN SUMMARY

<table>
<thead>
<tr>
<th>Loan ID</th>
<th>Principal as of Beginning of Quarter</th>
<th>Amount of New Loan</th>
<th>Principal Reimbursement Distribution</th>
<th>Taxable Distribution</th>
<th>Taxable Distribution of Quarter End</th>
<th>Interest in Arrears</th>
<th>Last Loan Payment</th>
</tr>
</thead>
</table>

You will see this section only if you have a loan or loans, and you will see only those columns and column headers that apply to your loan(s).

### TRANSACTION DETAIL BY SOURCE

This section tells you which source of money (e.g., employer, agency automatic (5%), or matching) is affected by each transaction during the statement period. Internal transfers are not displayed in this section because they do not affect any particular source of money.

<table>
<thead>
<tr>
<th>Payroll Office</th>
<th>Posting Date</th>
<th>Transaction Type</th>
<th>Employee</th>
<th>Agency Automatic (5%)</th>
<th>Matching</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>This space shows the date on which the transaction affected your account.</td>
<td>This space shows the transaction that occurred on the posting date. If the transaction is followed by a date, that date shows when the transaction should have been reported to the GFR. Where applicable, earnings adjustments will also be shown.</td>
<td>For each transaction shown under Transaction Type, these columns show how much was deposited or deducted from each source (i.e., employer, Agency Automatic (5%), or matching money).</td>
<td>This space shows the total dollar amount of each transaction on the posting date.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### TRANSACTION DETAIL BY FUND

#### Government Securities Investment (G) Fund

<table>
<thead>
<tr>
<th>Posting Date</th>
<th>Transaction Type</th>
<th>Transaction Amount</th>
<th>Share Price</th>
<th>Number of Shares</th>
<th>Dollar Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>This space shows the date on which a transaction was processed in your account.</td>
<td>This space shows the type(s) of transactions that occurred on the posting date(s).</td>
<td>This space shows the amount that was deposited to or withdrawn from the G Fund on the posting date.</td>
<td>This space shows the value of each share of the G Fund on the posting date.</td>
<td>This space shows the number of shares purchased (or sold) for each transaction under Transaction Type.</td>
<td>This space shows your account balance for the G Fund at the beginning and the end of the quarter.</td>
</tr>
</tbody>
</table>

Note: If you have money in other TSP funds, the same categories of information shown here for the G Fund will be displayed for those funds as well.
Types of Loans

General Purpose
No documentation required

Residential
For purchase or construction of a primary residence

As of March 1, 2011
Terms

- Minimum Term: 1 year
- Must be in pay status
- Maximum Term
  - General purpose = 5 years
  - Residential loan = 15 years
- General purpose and residential loans must be repaid by the (5th or 15th) anniversary from disbursement

As of March 1, 2011
Cost of a Loan

- $50.00 fee
  - Fee deducted from amount of loan disbursed to participant

- Interest Rate
  - Based on G fund rate at time application is processed
  - Fixed for life of the loan
  - Not tax deductible

- Both the principal and interest are repaid to your account

As of March 1, 2011
Rules for Borrowing

- May have a maximum of two loans outstanding at one time
  - Participants may have one residential and one general purpose loan outstanding
- Must submit documentation for residential loans
  - Form TSP-21-Doc
- When a loan is paid in full, including through prepayment, there will be a 60-day waiting period before another like loan application is accepted by the TSP
- Valid or pending court order prevents loan disbursement

As of March 1, 2011
Spousal Requirements

- Unmarried participants requesting a general purpose loan can complete and submit form on the website
  - The general purpose loan is processed once the loan agreement is confirmed by the TSP system
- Married FERS participants must print their loan agreement form from the website, obtain spouse’s consent, and return the agreement to the TSP
- Notification will be sent to the spouse of married CSRS participants two business days before loan disbursement

As of March 1, 2011
# Spouses’ Rights

<table>
<thead>
<tr>
<th>Participant</th>
<th>Requirement</th>
<th>Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FERS</td>
<td>Spouse provides signed consent on the Loan Agreement</td>
<td>Whereabouts unknown or exceptional circumstances</td>
</tr>
<tr>
<td>CSRS</td>
<td>Spouse is entitled to notification by the TSP of the participant’s application for a loan. A two-day hold will occur following the day the loan application is processed. The system will generate and mail a notice to the spouse.</td>
<td>Whereabouts unknown</td>
</tr>
</tbody>
</table>

If a valid Form [TSP-16](#) is received it will be good for all loans and withdrawals processed for 90 days from approval.

As of March 1, 2011
Disbursement of a TSP Loan

- Payment made by check
  - Based on the address of record on file
  - Address printed on the loan agreement may differ from address the participant provided on the loan application

- Payment via EFT
  - Can request EFT by providing routing information on loan agreement
  - Option available only if loan agreement is mailed or faxed

As of March 1, 2011
Repaying the Loan

- Payroll deduction based on the schedule of loan payments
- Participants may send a check(s) to make loan payments in addition to payroll deduction
  - Personal checks, money orders or cashier’s checks are accepted
  - Loan coupon must accompany these payments
- Daily interest is calculated as each payment is posted and is based on the number of days since the last loan payment was made multiplied by the outstanding loan balance
- Multiple voluntary reamortizations
  - Participant may reamortize on TSP website or by calling the TSP
  - The new loan payment amount is provided to the payroll office on its loan report and the participant is mailed a reamortization notice

As of March 1, 2011
TSP Taxable Distributions

Default

– All scheduled loan payments must be made by the participant
– The loan must be repaid no later than the 5/15 anniversary date from disbursement
– At the end of each quarter, if a participant has missed or made insufficient payments equal to 2 ½ payments, the TSP must send a default notice requiring the participant make up the default amount by the end of the following quarter
– If the entire default amount is not posted to the account by the end of the applicable quarter, a taxable distribution is declared on the outstanding loan balance
  • Participants will be prohibited from obtaining another TSP loan for 12 months
– The only exception to making up missing payments is if the participant is in a nonpay status; the IRS requires the TSP suspend loan payments during this period
  • Participants in nonpay status must request their agency/service complete Form TSP-41 and send it to the TSP record keeper

As of March 1, 2011
TSP Taxable Distributions

- Leaving federal service
  - Separated participant will still receive a notice with 90 days to pay the outstanding loan balance
  - A full or partial payment(s) may be submitted by check during the 90 day period
  - Partial payments will reduce the taxable distribution that will be declared on the remaining outstanding loan balance
  - Taxable distributions are effective after 90 days from receipt of separation information or generation of the notice
  - Participants not repaying the loan balance can request an acceleration of the taxable distribution date by signing the intent block on the notice and fax or mail to the TSP

- Death in service
  - Effective as of date of death or last loan payment

As of March 1, 2011
Withdrawal Rules for Married Participants

- Married FERS participants must print their withdrawal form from the TSP website, obtain notarized spouse’s signature, and return the withdrawal request to the TSP for processing and completion.
- Notification will be sent to the spouse of married CSRS participants two business days before withdrawal disbursement.
- Unmarried participants requesting either an in-service or post-service withdrawal can complete and, in some cases, submit forms on the website.

As of March 1, 2011
In-Service Withdrawals

- Financial Hardship withdrawals
- Age-Based withdrawal (59½ or older)

As of March 1, 2011
Financial Hardship Withdrawal

- Form **TSP-76** can be submitted on the TSP website unless notarized spouse signature is required
- No documentation required
- Request must be for at least $1,000
  - TSP will disburse requested amount or amount of employee contributions and earnings (whichever is less), but not less than $1,000
- Can request payment made via EFT (option available only if request faxed or mailed)
- TSP will withhold 10% for Federal taxes unless participant requests more or less using Form W-4P
Financial Hardship Withdrawal

- Participant certifies the conditions required to request a hardship withdrawal are met
  - Negative monthly cash flow, medical expenses, personal casualty loss, legal expenses for attorney fees and court costs associated with separation or divorce
- Participants in Chapter 13 bankruptcy can request a hardship withdrawal for medical, personal casualty loss, or legal divorce expenses; cannot request a withdrawal due to negative cash flow
- Agency must terminate participant contributions for six months
  - Agency matching contributions for FERS participant will also stop
  - FERS participants will continue to receive agency automatic (1%) contributions
- Must wait six months after receiving a hardship withdrawal before requesting another
- Early withdrawal penalty of 10% applies if participant is not age 59½ in the year the financial hardship in-service withdrawal is disbursed

As of March 1, 2011
Age-Based In-Service Withdrawal

- Must be age 59½ or older
- One-time withdrawal of all or a specific dollar amount of the account balance, Form TSP-75
  - Minimum - $1,000
  - Maximum – entire vested account balance
- Request can be initiated and, for some, completed on the TSP web site. Other participants must mail completed form to the TSP for processing
- All or a portion can be transferred to a traditional IRA or other eligible plan (no Federal tax at time of transfer)
- All or a portion can be transferred to a Roth IRA (subject to Federal tax but no withholding)
- Amount not transferred to an IRA or other eligible plan subject to mandatory 20% tax withholding
- Will prohibit participant from receiving a partial post-service withdrawal after separation

As of March 1, 2011
Roth IRA

- All or a portion can be transferred to a Roth IRA
  - Subject to Federal tax, but no withholding
  - Participant may need to pay estimated taxes to mitigate tax liability
- Participant not eligible for a Roth IRA transfer if married and filing a separate return
- Participant should discuss all options with tax or financial advisor or IRA provider before making withdrawal decisions

As of March 1, 2011
Post-Service Withdrawals

- Automatic cashout
- Leaving money in the TSP
- Combining TSP Accounts
- Partial Withdrawal of at least $1,000
- Full Withdrawal Options
  - Single payment
  - Monthly payments
  - TSP life annuity
- Mixed Withdrawal Options

As of March 1, 2011
Automatic Cashout

- Separated participants with a vested account balance of less than $200 will receive an automatic cashout
  - Account balances of $4.99 or less will be forfeited to the TSP
  - Participant may request restoration and payment of the forfeited balance
- The account will be paid automatically after the participant is separated for more than 31 days
  - No notification prior to disbursement
- Participant may not elect to leave the balance in the TSP
- Amount not subject to the mandatory 20% Federal tax-withholding

As of March 1, 2011
Leaving Money in the TSP

- Contributions may not continue, but participant may transfer in amounts from traditional IRAs or eligible employer retirement plans.
- Participant may continue to make interfund transfer and contribution allocation requests.
- By April 1st after you turn 70½ and are separated from service, you must begin to take required minimum distributions from your TSP account.
- Participant must update address by using the TSP Account Access section of the TSP website, by telephoning the TSP record keeper, or by submitting Form TSP-9.

As of March 1, 2011
Combining Uniformed Services and Civilian TSP Accounts

- Only the account related to the separation can be transferred.

- TSP accounts can be combined provided that monthly payments are not being made from the remaining account.

- TSP cannot transfer the tax-exempt portion in a uniformed services account to a TSP civilian account.

- If married and transferring the uniformed services account to a Civil Service Retirement System (CSRS) account, spouse must sign consent section on Form TSP-65.

As of March 1, 2011
Partial Withdrawal

- One-time request for the “life” of the account
  - Participant must not have received an age-based withdrawal
  - Participant must not have received a partial withdrawal from a prior period of employment
  - Form TSP-77 may be submitted via the web or mailed to TSP
- Minimum amount that can be withdrawn is $1,000
  - If the account balance is less than $1,000, the participant must submit a request for a full withdrawal
- Single payment only
  - Participant may request payment by EFT (option available only if request is mailed or faxed)
  - Subject to mandatory 20% tax withholding
  - Any amount not transferred subject to mandatory 20% tax withholding
- All or a portion can be transferred to a traditional IRA or other eligible plan
- Participant may request a transfer of all or a portion of the payment to a Roth IRA (subject to Federal tax but no tax withholding)

As of March 1, 2011
Single Payment

- Participant may request TSP pay any percentage of the account balance as a single payment
- Participant may request payment by EFT (option available only if request is mailed or faxed)
- All or a portion can be transferred to a traditional IRA or other eligible plan
  - No Federal tax withholding
- All or a portion can be transferred to a Roth IRA
  - Subject to Federal tax, but no withholding
- Amount not transferred to an IRA or other eligible plan subject to mandatory 20% tax withholding

As of March 1, 2011
Monthly Payments

- Specify a dollar amount ($25.00 minimum)
- Participants scheduled to receive fewer than 120 payments can transfer all or a portion of each monthly payment to either a traditional or Roth IRA
- Request TSP compute monthly payment (based on IRS tables)
- The TSP website has a monthly payment calculator to estimate monthly payment amounts
- TSP now accepts transfers/rollovers after monthly payments begin!

As of March 1, 2011
Changes to Monthly Payments

- Participant may complete Form TSP-73 to request a change in monthly payments from:
  - Compute my payment to dollar amount
  - Current dollar amount to new dollar amount
  - Change in monthly payments are effective in January of the following year
  - Percentage transferred or financial institution may be changed at any time

- Tax withholding rules will be determined when the monthly payment option is processed or when a change in monthly payments occurs

As of March 1, 2011
Summary of TSP Annuity Options

- **Single Life**
  - Level or Increasing Payments
  - 10- year Certain
  - Cash Refund

- **Joint Life with Spouse**
  - Level or Increasing Payments
  - 50% or 100% survivor benefit
  - Cash Refund

- **Joint Life with Other Survivor having an insurable interest**
  - Level Payments only
  - 50% or 100% survivor benefit
  - 100% survivor benefit not available if joint annuitant is more than 10 years younger
  - Cash Refund

- The TSP website has an annuity calculator to estimate annuity payments

As of March 1, 2011
IV. WITHDRAWAL ELECTION

Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectancy.

23. a. Life Annuity _______20_____.0% (Must equal $3,500 or more. Also complete Page 3.)

    b. Single Payment _______10_____.0%

    c. Monthly Payments _______70_____.0% ➔ $____300____.00 per month OR □ Compute my payments

TOTAL 100.0%

Transfer Option—If you want to transfer all or any portion of your single or monthly payments (for a dollar amount that results in payments expected to be completed in less than 120 months) to a traditional IRA, eligible employer plan, or Roth IRA (see back for rules and restrictions), complete Items 24 and/or 25 and Section V.

24. Transfer ___100_____0% of my single payment (Item 23b) to a traditional IRA, eligible employer plan, or Roth IRA.

25. Transfer ________0% of each of my monthly payments (Item 23c) to a traditional IRA, eligible employer plan, or Roth IRA. (Note: You cannot transfer payments expected to last 120 months or more or those that are computed based on life expectancy.)
IRS Early Withdrawal Penalty

- If you separate/retire during or after the year in which you reach age 55, you are **not** subject to the early withdrawal penalty
- TSP withdrawals received at age 59½ or later are not subject to the early withdrawal penalty
- Exceptions to the early withdrawal penalty
  - Total and permanent disability
  - Purchase of a TSP life annuity
  - Request TSP “compute my payments” based on life expectancy
  - Death benefit payouts
<table>
<thead>
<tr>
<th>Classification</th>
<th>Requirement*</th>
<th>Exceptions**</th>
</tr>
</thead>
<tbody>
<tr>
<td>FERS</td>
<td>Notarized spouse signature required. Spouse is entitled to a joint life annuity with 50% survivor benefits, level payments, and no cash refund feature, unless he/she waives this right</td>
<td>Whereabouts unknown or exceptional circumstances TSP-16 required</td>
</tr>
<tr>
<td>CSRS</td>
<td>Spouse is entitled to notification by the TSP of the participant’s withdrawal election</td>
<td>Whereabouts unknown TSP-16 required</td>
</tr>
</tbody>
</table>

* If account balance is less than $3,500 spouse’s signature/notice is not required
** Waiver of spouse’s signature/notice valid for 90 days from approval

As of March 1, 2011
Death Benefits

♦ To Whom
  – Based on Form TSP-3, Designation of Beneficiary
    • Participant responsible for mailing or faxing form directly to TSP
    • Do not submit forms to agency/service
  – If there is no TSP-3 on file at the TSP, then statutory order of precedence:
    • Spouse, natural and adopted children, parents, estate, next of kin

♦ How paid
  – Death reported on Form TSP-17, Information Relating to Deceased Participant

♦ The beneficiary is responsible for reporting the payment as taxable income earned

As of March 1, 2011
Death Benefit Payments – Spouse Beneficiaries

- Spouse beneficiaries automatically have a beneficiary participant account (BPA) established upon notification of death of TSP participant
- Balance is automatically invested in the G Fund
- Beneficiary participants have same investment and withdrawal options as separated TSP participants
  - Exception: TSP cannot accept transfers or rollovers from other equivalent employer plans or traditional IRAs into BPAs
  - Interfund transfers to any TSP investment funds are permitted
- Spouse may designate beneficiaries using Form TSP-3
- Death benefit payments from a BPA are single payments to the designated beneficiaries; cannot be transferred or rolled over to an IRA (to include inherited IRA) or eligible employer plan
- Required Minimum Distribution from BPA is based on the age of the TSP participant

As of March 1, 2011
Death Benefit Payments – Non-Spouse Beneficiaries

- Paid as a single payment
  - Payments to beneficiary subject to 20% tax withholding
  - Payments transferred to an inherited IRA account not subject to withholding

- The benefits of an Inherited IRA
  - Allows beneficiaries, other than spouse, to take the IRC minimum required distribution amount based on their age
    - If a 24-year-old beneficiary’s entitled amount is $100,000, the IRC minimum required distribution must start by December 31 the year following the TSP participant’s death
    - The first year IRC minimum required distribution would be $1,720 based on age 25
  - The remaining balance continues to grow tax deferred
  - Each year the IRC minimum required distribution increases slightly providing a lifetime benefit

- Inherited IRAs are complicated and a tax advisor or IRA provider should be contacted to discuss this benefit

As of March 1, 2011