Agenda

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

As of June 1, 2012
Agenda

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

As of June 1, 2012
Retirement Program Categories

• Defined Benefit Program
  – Pre-determined formula based on years worked and average salary
  – CSRS and FERS Basic Annuity; uniformed services pension

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

As of June 1, 2012
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 June 1, 2012
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 June 1, 2012
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 June 1, 2012
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 June 1, 2012
## 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*

*Note: Uniformed services pension is 75% ($75,000)*

As of June 1, 2012
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 ($17,000 for 2012)
  – Always vested

• Agency Contributions (immediate)
  – 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 June 1, 2012
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 $654.00 to contribute to the TSP
- Both will contribute $17,000 this year, however Ed will not maximize his agency contributions
- Ed and Susan will both receive $1,295.58 in Agency Automatic (1%) Contributions

<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>
</tr>
<tr>
<td>PC #16</td>
<td>$996.64</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #17</td>
<td>$996.64</td>
<td>$199.32</td>
</tr>
<tr>
<td><strong>Total PC #17</strong></td>
<td><strong>$16,942.88</strong></td>
<td><strong>$3,388.44</strong></td>
</tr>
<tr>
<td>PC #18</td>
<td>$57.12</td>
<td>$57.12</td>
</tr>
<tr>
<td><strong>Total PC #18</strong></td>
<td><strong>$17,000.00</strong></td>
<td><strong>$3,445.56</strong></td>
</tr>
</tbody>
</table>

**ED - $4,983.22 Basic Pay**

<table>
<thead>
<tr>
<th>Pay</th>
<th>654 EC</th>
<th>4% Matching</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC #1</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #2</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #3</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #4</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #16</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #17</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td><strong>Total PC #17</strong></td>
<td><strong>$11,118.00</strong></td>
<td><strong>$3,388.44</strong></td>
</tr>
<tr>
<td>PC #18</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #19</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #25</td>
<td>$654.00</td>
<td>$199.32</td>
</tr>
<tr>
<td>PC #26</td>
<td>$650.00</td>
<td>$199.32</td>
</tr>
<tr>
<td><strong>Total PC #26</strong></td>
<td><strong>$17,000.00</strong></td>
<td><strong>$5,182.32</strong></td>
</tr>
</tbody>
</table>

**SUSAN - $4,983.22 Basic Pay**

As of June 1, 2012
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 ($17,000 for 2012)
  – Always vested

• No Agency Contributions
TSP Contribution Rules
Uniformed Services

• Contribution Sources
  – Basic Pay
  – Incentive Pay (e.g. submarine, hazardous duty, aviation career incentive or enlisted flyer pay)
  – Special Pay (most other pay not listed as incentive or bonus pay)
  – Bonus Pay

As of June 1, 2012
TSP Contribution Rules
Uniformed Services

• Member Contributions
  – Up to 100% of basic pay
  – Any percentage from incentive, special, and bonus pay
  – Contributions are subject to the Internal Revenue Code annual limitations
    • section 402(g), elective deferral limit ($17,000 for 2012)
    • section 415(c), annual additions limit ($50,000 for 2012)
  – Contributions deducted from Combat Zone Tax Exempt (CZTE) pay are subject section 415(c) limits but not 402(g)

As of June 1, 2012
TSP Contribution Rules
Uniformed Services

• Matching Contributions
  – (If designated by Service Secretary)
  – Based on first 5% of basic pay
  – 4% maximum
    • $1/$1 for 1st 3%
    • 50¢/$1 for next 2%
  – Requires 6 year active duty obligation
  – Your service will provide information on requirements when offered

As of June 1, 2012
IRS Limitations

• Section 415(c), Annual Additions Limit
  – Under EGTRRA, $50,000 in 2012, with indexed inflation increase each year set by the IRS
  – Includes tax-deferred and tax-exempt contributions to the TSP for the year
  – Maximum contribution for officers in a combat zone is $7,609.50 per month (basic pay of the most senior enlisted member) plus $225 hostile fire/imminent danger pay*
  – Includes agency/service matching contributions to the TSP for the year
  – Includes agency automatic (1%) contributions made to the TSP from civilian TSP account
  – Does not include catch-up contributions

*http://www.dfas.mil

As of June 1, 2012
TSP vs. SDP

Both TSP and SDP are excellent savings plans. Make sure you understand the features and differences in each plan as you determine your savings goals!

Thrift Savings Plan - TSP

- Tax-deferred/exempt retirement savings program
- Start, change, or stop at any time with myPay!
- Deduction taken from basic, special, incentive and/or bonus pays each month
- Max 2012 deferral $17,000; w/exempt $50,000
- Return based on investment in the 10 TSP funds
- Continue to contribute from AC or RC pay & accrue earnings. Not taxable until withdrawn (tax-exempt contributions remain tax-exempt)
- Can withdraw upon separation from military. However, not required to withdraw until separated and age 70½.

Savings Deposit Program - SDP

- Short-term tax-exempt savings program
- Submit DD 1131 to finance office
- Deduction taken from pay for AC/AGRs, RC must submit check or cash
- Max contribution is $10,000 per deployment
- Guaranteed 10% annual return; accrual is 2.5% quarterly, interest stops accrual 90 days after return
- Interest accrual and SDP $ must be withdrawn within 90 days of return from designated combat zone
- Interest is taxable income earned in each year earned

As of June 1, 2012
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 2012 is $5,500
• Catch-up contributions are in addition to the regular TSP employee contributions
  ($17,000 + $5,500 = $22,500)
  (uniform services in a combat zone: $50,000 + $5,500 = $55,500)

As of June 1, 2012
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 June 1, 2012
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
Tax-Deferral Example

Bi-Weekly Basic Pay: $1,470.00
TSP Election: X 10%
TSP Deduction: $147.00

Basis for Federal Tax Withholding: $1,470.00
- $147.00

Taxable Income: $1,323.00

Annual Income Earned: $38,220.00
Annual TSP Contributions: - $3,822.00

Taxable Income: $34,398.00

As of June 1, 2012
# Retirement Savings Contribution Credit

As of June 1, 2012

<table>
<thead>
<tr>
<th>Adjusted Gross Income (AGI) limits for 2012</th>
<th>Credit Max Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Married Filing Joint</strong></td>
<td></td>
</tr>
<tr>
<td>$1 - $34,500</td>
<td>50% of contributions ($1,000)</td>
</tr>
<tr>
<td>$34,501 - $37,500</td>
<td>20% of contributions ($400)</td>
</tr>
<tr>
<td>$37,501 - $57,500</td>
<td>10% of contributions ($200)</td>
</tr>
<tr>
<td><strong>Head of Household</strong></td>
<td></td>
</tr>
<tr>
<td>$1 - $25,875</td>
<td></td>
</tr>
<tr>
<td>$25,846 - $28,125</td>
<td></td>
</tr>
<tr>
<td>$28,126 - $28,750</td>
<td></td>
</tr>
<tr>
<td><strong>All Other Filers</strong></td>
<td></td>
</tr>
<tr>
<td>$1 - $17,250</td>
<td></td>
</tr>
<tr>
<td>$17,251 - $18,750</td>
<td></td>
</tr>
<tr>
<td>$18,751 - $28,750</td>
<td></td>
</tr>
<tr>
<td><strong>Over $57,500</strong></td>
<td></td>
</tr>
<tr>
<td>Over $43,125</td>
<td></td>
</tr>
<tr>
<td>Over $28,750</td>
<td></td>
</tr>
<tr>
<td><strong>Over $57,500</strong></td>
<td>No Credit</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>$38,220.00</td>
</tr>
<tr>
<td>10% tax-deferred to TSP</td>
<td>- $3,822.00</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>$34,398.00</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 June 1, 2012
## Retirement Savings Contribution Credit for Last Year (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>50% of contributions ($1,000)</td>
</tr>
<tr>
<td>$1 - $34,000</td>
<td>$1 - $25,500</td>
</tr>
<tr>
<td>$34,001 - $36,500</td>
<td>$25,501 - $27,375</td>
</tr>
<tr>
<td>$36,501 - $56,500</td>
<td>$27,376 - $42,375</td>
</tr>
<tr>
<td>Over $56,500</td>
<td>Over $42,375</td>
</tr>
<tr>
<td><strong>Head of Household</strong></td>
<td>20% of contributions ($400)</td>
</tr>
<tr>
<td>$1 - $17,000</td>
<td>$17,001 - $18,250</td>
</tr>
<tr>
<td>$17,001 - $18,250</td>
<td>$27,376 - $42,375</td>
</tr>
<tr>
<td>Over $17,000</td>
<td>Over $42,375</td>
</tr>
<tr>
<td><strong>All Other Filers</strong></td>
<td>10% of contributions ($200)</td>
</tr>
<tr>
<td>$1 - $17,000</td>
<td>$17,001 - $18,250</td>
</tr>
<tr>
<td>$17,001 - $18,250</td>
<td>$27,376 - $42,375</td>
</tr>
<tr>
<td>Over $17,000</td>
<td>Over $42,375</td>
</tr>
<tr>
<td><strong>Credit Max Per Person</strong></td>
<td>No Credit</td>
</tr>
</tbody>
</table>

As of June 1, 2012
Roth TSP - Implementation

• Expected implementation 2\textsuperscript{nd} quarter 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 June 1, 2012
<table>
<thead>
<tr>
<th><strong>Roth IRA</strong></th>
<th><strong>Roth employer plans</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income limits</strong></td>
<td>Not available to taxpayers with income above certain limits: MFJ - $173,000 to $183,000 MFS - $0 to $10,000 All others - $110,000 to $125,000</td>
</tr>
<tr>
<td><strong>Contribution limits</strong></td>
<td>$5,000 ($6,000 if at least 50 years of age)*</td>
</tr>
<tr>
<td><strong>Minimum distributions</strong></td>
<td>Not subject to RMDs until the IRA owner dies</td>
</tr>
<tr>
<td><strong>Rollover rules</strong></td>
<td>May NOT be rolled into a Roth 401(k); a Roth IRA can only be rolled into another Roth IRA</td>
</tr>
</tbody>
</table>

*2012 limits

As of June 1, 2012
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 $17,000 and catch-up of $5,500 = Roth limit of $17,000 and Roth catch-up of $5,500 for 2012
  – May elect to contribute any percentage or dollar amount to
    • Traditional
    • TSP Roth
    • Or combination of both (total contributions can not exceed elective deferral limit)
• Contribution election are made through agency payroll
• Uniformed service members in a combat zone can make Roth contributions from tax-exempt pay up to the $17,000 limit and $5,500 for Roth catch-up

As of June 1, 2012
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
• Nonqualified 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 June 1, 2012
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 June 1, 2012
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 June 1, 2012
## 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>gross income</td>
<td>$40,000</td>
</tr>
<tr>
<td>minus TSP</td>
<td>-$2,000</td>
</tr>
<tr>
<td>adjusted income</td>
<td>$38,000</td>
</tr>
<tr>
<td>minus estimated federal income tax</td>
<td>-$3,846*</td>
</tr>
<tr>
<td>spendable income</td>
<td>$34,154</td>
</tr>
</tbody>
</table>

| gross income                          | $40,000                     |
| minus estimated Federal income tax    | -$4,154*                    |
| after-tax income                      | $35,846                     |
| minus savings                         | -$2,000                     |
| spendable income                      | $33,846                     |

By contributing before-tax money to the TSP, Mike reduces his taxes and has about $308 more to cover everyday expenses.

*IRS Publication 2011 Inst 1040; filing as single

As of June 1, 2012
. . . or later?

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>$8,077</td>
</tr>
<tr>
<td>minus estimated Federal income tax**</td>
<td>-$817</td>
</tr>
<tr>
<td>spendable income</td>
<td>$7,260</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 June 1, 2012
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
    • After implementation of Roth TSP, the TSP will accept transfers (direct rollovers) of Roth balances from eligible employer plans; will not accept 60-day (non-direct) rollovers of Roth balances
  – 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/TSP-U-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 June 1, 2012
Contribution Elections

• Participants may elect to start, stop, change, or resume contributions at any time
  – Election to contribute is submitted to agency/service only
  – TSP cannot process elections to deduct from pay
  – Elections must be expressed in whole dollar (civilians only) or whole percentage amounts

• Form TSP-1/TSP-U-1 used by employees to elect to contribute (electronic versions can also be used – MyPay, Employee Self-Service, LiteBlue, Best, EBIS, etc.)

• The election is effective the first full pay period after receipt by the agency/service

• Catch-up contributions require a separate TSP election

As of June 1, 2012
Contribution Allocation or Interfund Transfer?

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

Contribution Allocation
- Allocates all future contributions and loan payments until superseded by new allocation election
- ThriftLine, or website
- 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; redistributes account balance(s) and remains as invested until participant makes another interfund transfer
- ThriftLine, or website
- 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 June 1, 2012
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

As of June 1, 2012

<table>
<thead>
<tr>
<th>Balance at beginning of month</th>
<th>First IFT in month</th>
<th>Second IFT in month</th>
<th>Next IFT in same month - Increase G Fund</th>
<th>Another IFT in same month - Increase G Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>G 80%</td>
<td>G 100%</td>
<td>G 10%</td>
<td>G 40%</td>
<td>G 55%</td>
</tr>
<tr>
<td>F 40%</td>
<td>F 30%</td>
<td>F 10%</td>
<td>F 5%</td>
<td>F 55%</td>
</tr>
<tr>
<td>C 55%</td>
<td>C 5%</td>
<td>C 5%</td>
<td>C 5%</td>
<td>C 5%</td>
</tr>
<tr>
<td>S 10%</td>
<td>S 45%</td>
<td>S 40%</td>
<td>S 40%</td>
<td>S 40%</td>
</tr>
<tr>
<td>I 20%</td>
<td>I 55%</td>
<td>I 45%</td>
<td>I 40%</td>
<td>I 40%</td>
</tr>
</tbody>
</table>
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 June 1, 2012
## TSP Funds Annual and Monthly Returns

**As of June 1, 2012**

<table>
<thead>
<tr>
<th></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>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>5.49%</td>
<td>11.43%</td>
</tr>
<tr>
<td>2008</td>
<td>N/A</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>
</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>5.99%</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>6.71%</td>
<td>15.06%</td>
<td>29.06%</td>
<td>7.94%</td>
</tr>
<tr>
<td>2011</td>
<td>N/A</td>
<td>(0.96%)</td>
<td>(0.31%)</td>
<td>0.41%</td>
<td>2.23%</td>
<td>2.45%</td>
<td>7.89%</td>
<td>2.11%</td>
<td>(3.38%)</td>
<td>(11.81%)</td>
</tr>
</tbody>
</table>

<p>| | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>(1.48%)</td>
<td>(1.30%)</td>
<td>(1.10%)</td>
<td>(0.84%)</td>
<td>(0.18%)</td>
<td>0.21%</td>
<td>(0.30%)</td>
<td>(1.67%)</td>
<td>(2.35%)</td>
<td>(1.16%)</td>
</tr>
<tr>
<td>July</td>
<td>(1.75%)</td>
<td>(1.49%)</td>
<td>(1.25%)</td>
<td>(0.94%)</td>
<td>(0.14%)</td>
<td>0.22%</td>
<td>1.59%</td>
<td>(2.04%)</td>
<td>(3.14%)</td>
<td>(1.60%)</td>
</tr>
<tr>
<td>Aug</td>
<td>(6.16%)</td>
<td>(5.37%)</td>
<td>(4.63%)</td>
<td>(3.69%)</td>
<td>(1.10%)</td>
<td>0.19%</td>
<td>1.45%</td>
<td>(5.44%)</td>
<td>(8.12%)</td>
<td>(9.03%)</td>
</tr>
<tr>
<td>Sept</td>
<td>(7.80%)</td>
<td>(6.85%)</td>
<td>(5.92%)</td>
<td>(4.73%)</td>
<td>(1.51%)</td>
<td>0.16%</td>
<td>0.73%</td>
<td>(7.03%)</td>
<td>(10.73%)</td>
<td>(10.55%)</td>
</tr>
<tr>
<td>Oct</td>
<td>9.92</td>
<td>8.83</td>
<td>7.68</td>
<td>6.18</td>
<td>2.31</td>
<td>0.14%</td>
<td>0.11%</td>
<td>10.93</td>
<td>14.09</td>
<td>9.48</td>
</tr>
<tr>
<td>Nov</td>
<td>(0.78%)</td>
<td>(0.62%)</td>
<td>(0.49%)</td>
<td>(0.34%)</td>
<td>0.02</td>
<td>0.14%</td>
<td>0.01%</td>
<td>(0.21%)</td>
<td>(0.51%)</td>
<td>(2.46%)</td>
</tr>
<tr>
<td>Dec</td>
<td>(0.01%)</td>
<td>0.07</td>
<td>0.09</td>
<td>0.11</td>
<td>0.20</td>
<td>0.15%</td>
<td>1.01%</td>
<td>1.04%</td>
<td>(0.04%)</td>
<td>(2.03%)</td>
</tr>
</tbody>
</table>

<p>| | | | | | | | | | | |</p>
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>4.87</td>
<td>4.34</td>
<td>3.77</td>
<td>3.03</td>
<td>1.18</td>
<td>0.13%</td>
<td>0.88</td>
<td>4.50</td>
<td>7.59</td>
<td>5.36</td>
</tr>
<tr>
<td>Feb</td>
<td>3.99</td>
<td>3.54</td>
<td>3.10</td>
<td>2.53</td>
<td>0.98</td>
<td>0.12%</td>
<td>0.05</td>
<td>4.34</td>
<td>3.99</td>
<td>5.14</td>
</tr>
<tr>
<td>Mar</td>
<td>1.86</td>
<td>1.68</td>
<td>1.49</td>
<td>1.23</td>
<td>0.54</td>
<td>0.14%</td>
<td>(0.61)</td>
<td>3.30</td>
<td>2.30</td>
<td>0.13</td>
</tr>
<tr>
<td>Apr</td>
<td>(0.78%)</td>
<td>(0.63%)</td>
<td>(0.52%)</td>
<td>(0.38%)</td>
<td>0.01</td>
<td>0.15%</td>
<td>1.12</td>
<td>(0.62)</td>
<td>(0.71)</td>
<td>(1.87)</td>
</tr>
<tr>
<td>May</td>
<td>(6.85%)</td>
<td>(6.00%)</td>
<td>(5.23%)</td>
<td>(4.20%)</td>
<td>(1.38)</td>
<td>0.14%</td>
<td>0.91</td>
<td>(5.99)</td>
<td>(6.91)</td>
<td>(11.40)</td>
</tr>
<tr>
<td>Last 12 Months</td>
<td>(6.23%)</td>
<td>(4.82%)</td>
<td>(3.79%)</td>
<td>(2.57%)</td>
<td>0.86%</td>
<td>1.91%</td>
<td>7.16%</td>
<td>(0.32%)</td>
<td>(6.88%)</td>
<td>(20.16%)</td>
</tr>
</tbody>
</table>

Percentages in ( ) are negative.

As of June 1, 2012
• 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 2011 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 June 1, 2012
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 June 1, 2012
Monthly G Fund Interest Rates

June 1, 2012

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>
<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>
<td>1.500</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>
<td>1.625</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>3.000</td>
<td>1.875</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>2.875</td>
<td>1.625</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>2.500</td>
<td>1.375</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>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>2.250</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>1.625</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>2.875</td>
<td>1.750</td>
<td></td>
</tr>
</tbody>
</table>

As of June 1, 2012
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 June 1, 2012
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 June 1, 2012
Barclays Capital U.S. Aggregate Index

Bond Market Sectors
December 31, 2010

- Government/Government related: 41%
- Asset-backed securities: 35%
- Credit: 24%

As of June 1, 2012
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 June 1, 2012
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 June 1, 2012
S&P 500 Index - Major Industry Groups
December 31, 2010

Information Technology 18.7%
Consumer Staples 10.6%
Industrials 11.0%
Financials 16.1%
Health Care 10.9%
Consumer Discretionary 10.6%
Utilities 3.3%
Telecom Services 3.1%
Materials 3.7%
Energy 12.0%
Information Technology 18.7%
As of June 1, 2012
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 June 1, 2012
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 June 1, 2012
I FUND

- Replicates the MSCI Europe, Australasia, and Far East (EAFE) Index
- EAFE covers the equity markets of 22 countries included in the index
- EAFE contains approximately 969 stocks that best represent the 22 developed stock markets

As of June 1, 2012
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 June 1, 2012
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 June 1, 2012
World Stock Markets
Allocation of Stock Market Value*
December 31, 2009

USA 42%
Emerging Markets 13%
EAFE Countries 41%
Canada 4%

*Allocation of MSCI ACWI Index. Source is FactSet Research Systems

As of June 1, 2012
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- Barclays Capital U.S. Aggregate Bond Index
Inflation

As of June 1, 2012
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 June 1, 2012
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 June 1, 2012
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 June 1, 2012
As of June 1, 2012

L Funds Investment Allocation

**L 2050**

- **Month**: January
- **Year**: 2012
- **G Fund**: 3.83%
- **F Fund**: 7.67%
- **C Fund**: 43.40%
- **S Fund**: 18.70%
- **I Fund**: 26.40%

**L 2040**

- **Month**: January
- **Year**: 2012
- **G Fund**: 12.15%
- **F Fund**: 9.35%
- **C Fund**: 39.40%
- **S Fund**: 16.70%
- **I Fund**: 22.40%

**L 2030**

- **Month**: January
- **Year**: 2012
- **G Fund**: 23.15%
- **F Fund**: 8.35%
- **C Fund**: 35.40%
- **S Fund**: 13.40%
- **I Fund**: 19.70%

**L 2020**

- **Month**: January
- **Year**: 2012
- **G Fund**: 37.40%
- **F Fund**: 7.35%
- **C Fund**: 29.49%
- **S Fund**: 9.40%
- **I Fund**: 16.40%
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 June 1, 2012
L 2040 Investment Allocation Cycle

As of June 1, 2012
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 June 1, 2012
As of June 1, 2012

Thrift Savings Plan

Here’s how the value of your TSP account has changed.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value on January 1, 2011</td>
<td>$xxx,xxx,xxx xx</td>
</tr>
<tr>
<td>Contributions and Additions</td>
<td>$xxx,xxx,xxx xx</td>
</tr>
<tr>
<td>Withdrawals and Deductions</td>
<td>$xxx,xxx,xxx xx</td>
</tr>
<tr>
<td>Investment Gain (or Loss)</td>
<td>$xxx,xxx,xxx xx</td>
</tr>
<tr>
<td>Value on March 31, 2011</td>
<td>$xxx,xxx,xxx xx</td>
</tr>
</tbody>
</table>

Your vested account balance is $xxx,xxx,xxx xx
You will be fully vested on mm/dd/yyyy

* Only Agency Automatic (1%) Contributions are subject to vesting. You are always vested in (earned to keep) your own contributions and your agency’s matching...contributions.

Your account balance distribution

Your investment allocation for future contributions

A Message for You
Our records show that you aren’t currently contributing your own money to your TSP account. Because your agency matches up to 5% of your contributions, you can double your money on the first 3% of pay you contribute. If you contribute an additional 2%, your agency will add 50¢ for each dollar you put in. When you save for your retirement in this way, you are basically giving yourself a 4% pay increase.

Your Personal Rate of Return
Last 12 Months
12.26%

Questions? www.tsp.gov
ThriftLine: 1-TSP-YOU-FIRST
1-877-868-3778
Outside U.S. and Canada: 404-223-4460
TDD: 1-TSP-THRIFTS
1-877-867-4385
To correct personal information, contact your agency.
As of June 1, 2012

Your Ending Account Balance: $10,000,000.02

### 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>Gain or Loss This Quarter</th>
<th>Ending Balance</th>
<th>Beginning Shares</th>
<th>Ending Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifecycle Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L 2050</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
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<td>L 2040</td>
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<td>L Income</td>
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<td>Individual Funds</td>
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<td>Q Fund</td>
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<td>F Fund</td>
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<td>S Fund</td>
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<td>I Fund</td>
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<td>Total</td>
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<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
</tr>
</tbody>
</table>

* Your balance includes $xxx,xxx xx in cumulative tax-exempt contributions; $xxx,xxx xx in catch-up contributions for this year.

### YOUR QUARTERLY LOAN SUMMARY

<table>
<thead>
<tr>
<th>Loan ID</th>
<th>Principal as of mm/dd/yyyy</th>
<th>Amount of New Loan</th>
<th>TOTAL Principal Repaid</th>
<th>Taxable Distribution</th>
<th>Non Taxable Distribution</th>
<th>Reversal of Loan Distribution</th>
<th>Principal as of mm/dd/yyyy</th>
<th>TOTAL Interest Paid</th>
<th>Interest in Arrears</th>
<th>Last Loan Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>xxxxxxx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
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<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>mm/dd/yyyy</td>
</tr>
</tbody>
</table>

### YOUR TRANSACTION DETAIL BY SOURCE

<table>
<thead>
<tr>
<th>Payroll Office</th>
<th>Posting Date</th>
<th>Transaction Type</th>
<th>Employee Traditional</th>
<th>Employee Tax-Exempt Traditional</th>
<th>Employee Roth</th>
<th>Agency Automatic (1%)</th>
<th>Matching</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>xxxxxxx</td>
<td>mm/dd/yyyy</td>
<td>Beginning Balance</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
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</tr>
<tr>
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<td>Contribution</td>
<td>xxx,xxx xx</td>
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<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
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<tr>
<td></td>
<td></td>
<td>Gain or Loss This Quarter</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ending Balance</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
<td>xxx,xxx xx</td>
</tr>
</tbody>
</table>

1 Details of your transactions by fund (including interfund transfers) are available on your expanded quarterly statement in the My Account section of the TSP website (www.tsp.gov).
As of June 1, 2012

Jane G. Doe
Account Number: xxxxxxxxxxx

Your Ending Account Balance: $10,000,000.02

For the quarter: mm/dd/yyyy–mm/dd/yyyy

YOUR 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></td>
<td>Beginning Balance</td>
<td>Traditional</td>
<td>$xx,xxxx</td>
<td>x,xxxxx,xxxx,xxx</td>
<td>$xx,xxxx,xxx</td>
</tr>
<tr>
<td>03/01/11</td>
<td>Contribution</td>
<td>Traditional</td>
<td>$xx,xxxx</td>
<td>x,xxxxx,xxxx,xxx</td>
<td>$xx,xxxx,xxx</td>
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<tr>
<td></td>
<td></td>
<td>Total</td>
<td>$xx,xxxx</td>
<td>x,xxxxx,xxxx,xxx</td>
<td>$xx,xxxx,xxx</td>
</tr>
<tr>
<td></td>
<td>Ending Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Common Stock Investment (C) 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></td>
<td>Beginning Balance</td>
<td>Traditional</td>
<td>$xx,xxxx</td>
<td>x,xxxxx,xxxx,xxx</td>
<td>$xx,xxxx,xxx</td>
</tr>
<tr>
<td>03/01/11</td>
<td>Contribution</td>
<td>Traditional</td>
<td>$xx,xxxx</td>
<td>x,xxxxx,xxxx,xxx</td>
<td>$xx,xxxx,xxx</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>$xx,xxxx</td>
<td>x,xxxxx,xxxx,xxx</td>
<td>$xx,xxxx,xxx</td>
</tr>
<tr>
<td></td>
<td>Ending Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Types of Loans

General Purpose
No documentation required

Residential
For purchase or construction of a primary residence

As of June 1, 2012
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
• Loans are disbursed proportionally from both traditional and Roth account balances

As of June 1, 2012
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 proportionally to participant’s traditional and Roth balances
  – If the account includes a Roth balance when the loan is disbursed, Roth earnings that would otherwise have been paid tax-free will be repaid with after-tax dollars

As of June 1, 2012
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/TSP-U-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 June 1, 2012
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/uniformed services 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 June 1, 2012
# Spouses’ Rights

<table>
<thead>
<tr>
<th>Participant</th>
<th>Requirement</th>
<th>Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FERS/ Uniformed Services</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/TSP-U-16](#) is received it will be good for all loans and withdrawals processed for 90 days from approval.

As of June 1, 2012
Disbursement of a TSP Loan

• Payment made by check to the current TSP address of record
  – Default method of loan disbursement
  – Ensure you have updated your address with your agency!

• 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 June 1, 2012
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 June 1, 2012
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 June 1, 2012
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

Note: No post-service withdrawal options can be processed until the outstanding loan is settled

As of June 1, 2012
TSP Taxable Distributions

• When a taxable distribution occurs on the traditional balance of a loan
  – Participant receives the IRS Form 1099-R (Distributions From Pensions, Annuities, Retirement or Profit –Sharing Plans, IRAs, etc.)
  – Participant will pay Federal and if applicable state income tax based on their tax bracket
  – The taxable amount includes both the remaining loan balance and accrued interest
  – May also require paying the 10% early withdrawal penalty tax

• When a taxable distribution occurs on the Roth balance of a loan
  – Loan is not considered a qualified distribution by the IRS (if declared for reasons other than separation from service)
  – Any portion of the loan from Roth contributions will not be taxable
  – Any portion of the loan from nonqualified Roth earnings are taxable

As of June 1, 2012
Withdrawal Rules for TSP Participants

• Married FERS and uniformed service 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.

As of June 1, 2012
Withdrawal Rules for TSP Participants

• Unmarried participants requesting a single payment by check can complete and submit form on the website
• Unmarried participants requesting payment by EFT must print their withdrawal form from the TSP website and have their signature notarized
• If a participant has both a traditional and a Roth balance, all withdrawal options are paid proportionally (pro-rata) from each balance
• Separated participants should not submit withdrawal forms until after official date of separation

As of June 1, 2012
In-Service Withdrawals

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

As of June 1, 2012
Financial Hardship Withdrawal

- Form TSP-76
- 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% of taxable portion of the disbursement for Federal taxes unless participant requests more or less

As of June 1, 2012
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% may apply if participant is not age 59½ in the year the financial hardship in-service withdrawal is disbursed

As of June 1, 2012
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/TSP-U-75
  – Minimum - $1,000
  – Maximum – entire vested account balance
• Will prohibit participant from receiving a partial post-service withdrawal after separation
• Traditional account balance received as a single payment subject to mandatory 20% Federal tax withholding (may request additional tax withholding)
• Qualified Roth account balance received as a single payment not subject to Federal tax (nonqualified Roth earnings subject to mandatory 20% Federal tax withholding)

As of June 1, 2012
Age-Based In-Service Withdrawal

- Participant can elect to transfer all or a portion of their withdrawal (No Federal tax withholding at time of transfer)
  - Separate elections for transfer of *traditional* and *Roth* balances
    - May transfer to same or different financial institutions or eligible employer plans
    - May transfer different percentages from each balance
  - *Roth* account balance can be transferred to a Roth IRA or eligible Roth employer plan
  - *Traditional account* balance can be transferred to a traditional or Roth IRA or other eligible traditional employer plan
- Considerations when transferring *traditional* TSP to Roth IRA
  - Subject to Federal tax, but no withholding
  - Participant may need to pay estimated taxes to mitigate tax liability
  - May increase effective tax rate
  - May need to meet five year rule for the Roth IRA
- Participant should discuss all options with tax or financial advisor or IRA provider before making withdrawal decisions

As of June 1, 2012
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 June 1, 2012
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 June 1, 2012
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 request interfund transfers and contribution allocations
• By April 1st after you turn 70½ and are separated from service, you must begin to take required minimum distributions from your TSP account, to include Roth balance
  – Participant may retain the account for life as long as the balance remains above $0.00
• Participant is responsible for updating address when needed by using the TSP Account Access section of the TSP website, telephoning the TSP record keeper, or submitting Form TSP-9

As of June 1, 2012
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 June 1, 2012
Partial Withdrawal

- One-time request for the “life” of the account, Form TSP-77 TSP-U-77
  - Participant must not have received an age-based withdrawal
  - Participant must not have received a partial withdrawal from a prior period of employment
  - Single payment only

- Minimum amount that can be withdrawn is $1,000
- Participant must request a full withdrawal
  - If the account balance is less then $1,000
  - If requesting entire account balance

- Traditional balance received as a single payment subject to mandatory 20% Federal tax withholding (may request additional tax withholding)

- Qualified Roth balance received as a single payment not subject to Federal tax (nonqualified Roth earnings subject to mandatory 20% Federal tax withholding)

As of June 1, 2012
Partial Withdrawal

- Participant can elect to transfer all or a portion of their withdrawal (No Federal tax withholding at time of transfer)
  - Separate elections for transfer of traditional and Roth balances
    - May transfer to same or different financial institutions or eligible employer plans
    - May transfer different percentages from each balance
  - Roth balance can be transferred to a Roth IRA or eligible Roth employer plan
  - Traditional balance can be transferred to a traditional or Roth IRA or other eligible traditional employer plan
- Considerations when transferring traditional TSP to Roth IRA
  - Subject to Federal tax, but no withholding
  - Participant may need to pay estimated taxes to mitigate tax liability
  - May increase effective tax rate
  - May need to meet five year rule for the Roth IRA
- Participant should discuss all options with tax or financial advisor or IRA provider before making withdrawal decisions

As of June 1, 2012
Single Payment

• Participant may request TSP pay any percentage of the account balance as a single payment
• Traditional balance received as a single payment subject to mandatory 20% Federal tax withholding (may request additional tax withholding)
• Qualified Roth balance received as a single payment not subject to Federal tax (nonqualified Roth earnings subject to mandatory 20% Federal tax withholding)
• Participant can elect to transfer all or a portion of their withdrawal (No Federal tax withholding at time of transfer)
  – Separate elections for transfer of traditional and Roth balances
    • May transfer to same or different financial institutions or eligible employer plans
    • May transfer different percentages from each balance
  – Roth balance can be transferred to a Roth IRA or eligible Roth employer plan
  – Traditional balance can be transferred to a traditional or Roth IRA or other eligible traditional employer plan
• Same considerations apply when transferring traditional balance to Roth IRA

As of June 1, 2012
Monthly Payments

- Participant may request any percentage of the account balance be paid in monthly payments.
- Monthly payment amount
  - Any dollar amount (minimum monthly payment starting at $25)
  - TSP compute my payments based on life expectancy.
- Monthly payments are paid proportionally (pro-rata) from traditional and Roth balances.

As of June 1, 2012
Withholding Rules for Monthly Payments

• Monthly payments will be paid proportionally from traditional and Roth balances

• Monthly payments expected to last less than 10 years (less than 120 payments)
  – Traditional balance subject to mandatory 20% Federal tax withholding
  – May request additional tax withholding
  – Qualified Roth balance payments are not taxed (nonqualified Roth earnings subject to mandatory 20% Federal tax withholding)

• Monthly payments expected to last 10 years or more (120 or more payments) or computed based on life expectancy
  – Traditional balance is subject to Federal tax withholding based as if participant is married with 3 dependents
    • Or participant may choose to have no withholding
    • Or participant may change withholding marital status and allowances
    • Or participant may ask the TSP to withhold an additional amount
  – Qualified Roth balance payments are not taxed (nonqualified Roth earnings subject to same withholding rules as traditional balance)

As of June 1, 2012
Transfer Rules for Monthly Payments

- Only monthly payments expected to last less than 10 years (less than 120 payments) may be transferred.
- Participant can elect to transfer all or a portion of their withdrawal (No Federal tax withholding at time of transfer).
- Separate elections for transfer of traditional and Roth balances:
  - May transfer to same or different financial institutions or eligible employer plans.
  - May transfer different percentages from each balance.
- Roth balance can be transferred to a Roth IRA or eligible Roth employer plan.
- Traditional balance can be transferred to a traditional or Roth IRA or other eligible traditional employer plan.

As of June 1, 2012
Changes to Monthly Payments

• Participant may complete Form TSP-73/TSP-U-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

*Forms and form numbers will be modified or changed upon implementation of Roth TSP

As of June 1, 2012
Summary of Annuity Options

• Participant may elect to purchase an annuity
  – Minimum amount to purchase an annuity is $3,500
  – If participant has both traditional and Roth balances, a separate annuity will be purchased for each balance

• Only one annuity option for both traditional and Roth balances

• Nonqualified Roth earnings will be included in the Roth annuity payment
  – Earnings are taxable until participant meets qualified distribution rules

As of June 1, 2012
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 June 1, 2012
IV. WITHDRAWAL ELECTION — This section is required. 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. I would like to withdraw my entire account balance as follows:

a. 10.0% Single Payment

b. 30.0% Life Annuity (Must equal $3,500 or more. Also complete Page 6.)

c. 70.0% TSP Monthly Payments → Tell us how to pay your monthly payments:
   100% (Total a, b, and c)
   $____,_____.00 per month ($25.00 or more)
   OR
   Compute my payments based on my 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
• More information available from IRS
  – Publication 575, Pension and Annuity Income
  – Publication 721, Tax Guide to U.S. Civil Service Benefits

As of June 1, 2012
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 June 1, 2012
# Spouse’s Rights

<table>
<thead>
<tr>
<th>Classification</th>
<th>Requirement</th>
<th>Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FERS/ Uniformed Services</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 or TSP-U-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 or TSP-U-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/notification valid for 90 days from approval

As of June 1, 2012
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/TSP-U-17, Information Relating to Deceased Participant

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

As of June 1, 2012
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
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 June 1, 2012