



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77K Street, NE Washington, DC 20002

January 18, 2013

MEMORANDUM FOR: BOARD MEMBERS KENNEDY, DUFFY, BILYEU, JONES and MCCRAY

**FROM: Greg Long
Executive Director**

SUBJECT: Participant Statement and Communications

The attached items are included in the annual statement mailing sent to all TSP participants. I will be pleased to discuss content when we meet on January 28.



Thrift Savings Plan

P.O. Box 385021
Birmingham, AL 35238

February 2013

Dear TSP Participant:

Giving you more was our goal at the TSP in 2012:

- **Roth TSP** for more choice in how your contributions are taxed
- Online tools to help you manage your account
- Interactive wizards to assist with withdrawal forms
- Improved quarterly and annual participant statements
- Secure Message Center
- The introduction of TSP information on YouTube—**TSP4gov**

Roth TSP. This feature became available to TSP participants on May 7, 2012. Now almost all agency and uniformed service payroll systems are able to accept Roth contributions.

The Roth TSP feature gives you more flexibility in the tax treatment of your contributions—it allows you to make after-tax contributions to your TSP account. These contributions are then tax-free when you withdraw them, and as long as you meet the IRS requirements, your earnings are also tax-free.

Before Roth TSP, you could only make tax-deferred (traditional) contributions, which are taxed along with their earnings when you withdraw them. Now you have a choice. You can make one or both kinds of contributions, and change your contribution allocation at any time. I urge you to consider whether Roth TSP could be to your advantage.

Roth TSP is especially important if you are a service member earning tax-exempt pay in a combat zone—you will never pay taxes on your contributions made from tax-exempt pay; why pay taxes on the earnings?

Online tools. We added a new calculator to the website to help you make the Roth TSP decision. The **Contribution Comparison Calculator** allows you to compare the effects on your pay-check (and your TSP balance in the future) of making Roth (after-tax) contributions vs. traditional (pre-tax) contributions.

Interactive form “wizards” were developed on the website to walk you through the completion of complicated withdrawal forms. When you use a wizard, you can be sure that you’re submitting the most up-to-date version of a form and also avoid making many of the mistakes that could slow down your withdrawal.

New participant statements. We redesigned your quarterly and annual statements in 2012. We wanted to make your statements user friendly, and give you more information on rates of return for the TSP funds, as well as your own personal rates of return. The annual statement also provides information on TSP administrative expenses. You'll find that the TSP is a great deal because its expenses are so low.

Secure Message Center. We've added a new feature to the TSP website. While you're logged into your account, you can now send a secure message to the TSP and receive a return message or a personal call in response. You can pick up the response to your message within 24 business hours in the secure Message Center in MyAccount.

YouTube. We know that participants are looking for quick and easy ways to get general information about the TSP, so we opened a YouTube channel in 2012 — **TSP4gov**. The official TSP channel now hosts videos on Roth TSP, changing your address, the difference between contribution allocations and interfund transfers, and understanding the 10% early withdrawal penalty tax. We will be producing more TSP videos in 2013. Stay tuned!

We have many plans and projects in the works for 2013 to widen communication with participants and otherwise enhance your engagement with the TSP. Now, as always, we pledge to manage the TSP solely in your interest (and that of your beneficiaries), to keep your costs low, and to remain a secure and profitable home for your retirement investments throughout your working life and into retirement.

Sincerely,

A handwritten signature in black ink, appearing to be 'GTL', written in a cursive style.

Gregory T. Long
Executive Director



Thrift Savings Plan

[Mail Barcoding]

Name
Address Line 1
Address Line 2
City, State Zip Code

Annual PS, Regular Participant

Your 2012 Annual Statement

Account Number:
1234 5678 91011

Date of Birth: mm/dd/yyyy
Retirement Coverage
Employment Status: Active
Service Required for Vesting: 3 years
from mm/dd/yyyy
Legal Residence:

How your account value changed in 2012

	Traditional	Roth	Total
Value on January 1, 2012	\$158,412.00	\$40,000.00	\$198,412.00
Change in value this year	35,000.00	5,000.00	40,000.00
Value on March 31, 2012	\$193,412.00	\$45,000.00	\$238,412.00

Your vested account balance is \$xx,xxx,xxx.xx

You are always vested in (entitled to keep) your own contributions and your Agency Matching Contributions. However, you must meet time-in-service requirements to be entitled to keep your Agency Automatic (1%) Contributions. (See your own vesting requirement in the blue Account Number box to the right.)

Will you be ready for retirement?

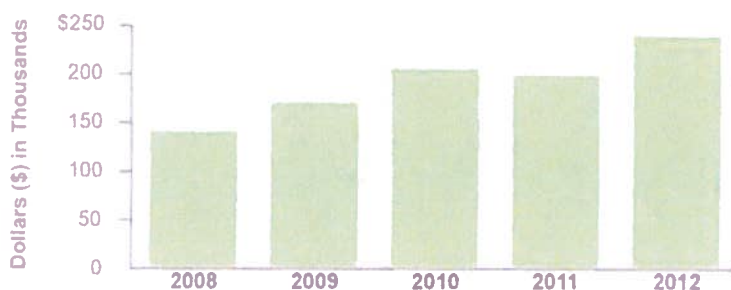
Your 12/31/2012 account balance would provide you a lifetime TSP monthly amount of

\$1,263*

*This estimate assumes

- Age 62, or your current age if you are older
- A single life annuity, with level payments and no additional features
- An annuity interest rate index of 1.750%

Your 5-Year Account Balance History



Think of the amount in your account as a source of monthly income in your retirement years rather than as a single sum of money. If your account balance were twice your current balance, your lifetime monthly amount would be twice the amount shown above, and so on. Use the How Much Will My Savings Grow? calculator on the TSP website to estimate how your account might grow over time.

Questions?

Visit www.tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
Outside the U.S and Canada: 404-233-4400
TDD: 1-TSP-THRIFT5 (1-877-847-4385)

To correct any of your personal information, contact your agency.



Keep your account secure — review your account profile.

Custom ID Created: mm/dd/yyyy
Web Password Date: mm/dd/yyyy
Web Access: Blocked
ThriftLine PIN Date: mm/dd/yyyy
ThriftLine Access: Blocked
Quarterly Statements: Electronic
Annual Statements: Mailed
Account Hold: Yes
Power of Attorney or Guardianship/Conservatorship: On File

A Summary of Your Account Activity in 2012

	Traditional	Roth	Total
Beginning Balance as of January 1, 2012	\$xx,xxx,xxx.xx	\$xx,xxx,xxx.xx	\$xx,xxx,xxx.xx
Contributions	xx,xxx xxx xx	xx xxx xxx xx	xx xxx xxx xx
Transfers/Rollovers	xx,xxx xxx.xx	xx xxx xxx xx	xx xxx xxx xx
Loan Disbursements	-xx,xxx xxx.xx	-xx xxx,xxx xx	-xx xxx xxx xx
Loan Payments	xx,xxx xxx.xx	xx xxx xxx xx	xx xxx,xxx xx
Loan Overpayment Refunds	-xx,xxx,xxx.xx	-xx xxx xxx xx	-xx xxx,xxx xx
In-Service Withdrawals ¹	-xx,xxx,xxx.xx	-xx xxx,xxx xx	-xx xxx xxx xx
Forfeitures	-xx,xxx,xxx.xx	-xx xxx xxx xx	-xx xxx,xxx xx
Death Benefit Payment	-xx,xxx xxx.xx	-xx xxx,xxx xx	-xx xxx,xxx xx
Court Order Payments	-xx,xxx,xxx.xx	-xx xxx,xxx xx	-xx xxx xxx xx
Excess Deferrals	-xx xxx xxx.xx	-xx xxx xxx xx	-xx xxx xxx xx
Adjustments ²	xx,xxx,xxx.xx	xx xxx,xxx xx	xx xxx xxx xx
Resignations	xx xxx xxx.xx	-xx xxx,xxx xx	0.00
Required Minimum Distribution	-xx,xxx xxx xx	-xx xxx,xxx xx	-xx xxx,xxx xx
Investment Gain/Loss	xx,xxx xxx xx	xx xxx xxx xx	xx xxx xxx xx
Post-Separation Withdrawals	-xx xxx xxx xx	-xx xxx,xxx xx	-xx xxx,xxx xx
Ending Balance as of December 31, 2012	\$xx,xxx,xxx.xx	\$xx,xxx,xxx.xx	\$xx,xxx,xxx.xx

Contributions to Your Account in 2012 (Without Adjustments)

Employee Contributions ³			Agency Contributions		Transfers/Rollovers Into the TSP		Total
Traditional	Tax-Exempt	Roth	Automatic 1%	Matching	Traditional	Roth	
\$xx xxx xx	\$xx,xxx xx	\$xx xxx xx	\$xx xxx xx	\$xx,xxx xx	\$xx xxx,xxx xx	\$xx xxx,xxx xx	\$xx xxx,xxx xx

Your Lifetime TSP Contributions

Traditional	Tax-Exempt	Roth	Catch-Up	Total
\$xx,xxx,xxx.xx	\$xx xxx xxx.xx	\$xx xxx xxx.xx	\$xx,xxx,xxx.xx	\$xx xxx,xxx.xx

This section reflects your contributions from all periods of service.



The Federal Retirement Thrift Investment Board submits an annual report to Congress each year on the operations of the Thrift Savings Plan, including participant demographics and contribution information. To read the report, visit www.frtib.gov, or scan the code to the right





HIGHLIGHTS

January/February 2013



You can pay less for your other retirement investments by consolidating them in your TSP account* as long as:

- you have an open TSP account (even if you have left Federal service), and
- the money you want to transfer is considered an "eligible rollover distribution" for Federal income tax purposes.

Eligibility depends on whether the money is tax-deferred (traditional) or after-tax (Roth).

Tax-deferred transfers are allowed from eligible employer plans, traditional IRAs, and SIMPLE IRAs. (Use Form TSP-60, Request for a Transfer Into the TSP.)

Roth transfers are allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s. (Use Form TSP-60-R, Request for a Roth Transfer Into the TSP.) You cannot transfer money into the TSP from a Roth IRA.

For transfer forms and to learn more about your eligibility, visit www.tsp.gov.

* Beneficiary participants are not eligible to transfer money into their TSP accounts.



Check out the new TSP YouTube channel, TSP4gov.



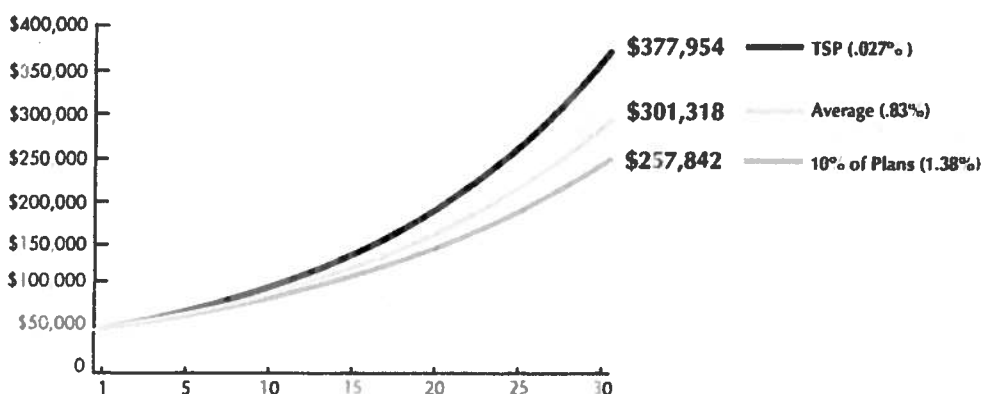
More Than You Pay For

Not all retirement investments cost the same. Paying less for your investments so you have more money when you retire is crucial to a comfortable retirement. It's just a simple fact that in order for your savings to give you more spending power in the future, your investments must return more than plan costs and inflation.

When Congress created the TSP in 1986, it mandated investment policies that provide for prudent investments suitable for accumulating income for retirement at low administrative cost (5 USC § 8475). Twenty-six years later, with its remarkably low costs, your Thrift Savings Plan has more than fulfilled this mandate.

Do you know what you pay to save? If you're like many people, you probably have never focused on fees and expenses in your retirement savings because there's no evidence of them on your account statements. They're generally taken off the top of share prices and investment returns, and are invisible to you. At the TSP, we have always reported annual expenses on the website to participants as a percentage of the total assets in the plan. Now, we are bringing this information directly to you on your annual participant statement. For 2012, the net expense ratio was .027%, which is just 27¢ for every \$1,000 in your account. Such low fees are very rare in defined-contribution plans, where the average fee is \$8.30/\$1,000 account, and in 10% of plans, you'd pay more than \$13.80.*

Long-term effect of paying less to invest? You save more — a lot more. Compare how \$50,000 will grow over 30 years at various fee levels (and a 7% annual rate of return).



* Deloitte, "Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of the 'All In' Fee," Investment Company Institute, 2011.

TSP Website:
www.tsp.gov


ThriftLine: 1 TSP YOU FIRST (1 877 968 3778)
Outside the U.S. and Canada: 404 233 4400

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

\$14 or 27¢? Because the TSP and similar defined contribution plans have differing fee structures, you can't directly make a dollar-for-dollar comparison, but the bottom line is that you are paying a lot less and therefore saving a lot more with the TSP. In the previous example, if you paid a TSP-like fee of only 27¢ per \$1,000 to invest, you'd have \$120,000 more in 30 years. It seems like an easy choice. But many in the pension industry argue that higher fees are the price you have to pay for actively managed investment funds, which are expected to yield higher returns than passively managed index funds (like the TSP's funds). Others suggest that the opposite is true—that higher fees often come with diminishing prospects for beating the markets, and you, the investor, pay more for less. Fortunately, fee disclosure reports now make it possible for investors to see if they're getting what they paid for.

The TSP can help you save more. If you've worked for a number of employers throughout your career, you're probably juggling several retirement plans, and maybe an IRA or two, and none are likely to offer fees as low as the TSP. You can consolidate all your retirement savings in the TSP—as long as the amounts in your other accounts are

eligible (and you are not a beneficiary participant). (See how on the reverse.) This can simplify the management of your retirement savings, help you plan for retirement in your working years, and provide a low-cost home for your retirement savings throughout your lifetime.

Yes, the TSP is a plan for life. You may have gotten the impression from financial service companies that you have to move your money out of the TSP when you leave Federal service. This is not true. You should be very careful before you remove your money from your TSP account because that choice is not reversible. Financial service companies are in the profit-making business and would like to get their hands on a share of your savings, which could mean much higher costs for you. The TSP, on the other hand, is not in the business of turning a profit. The TSP is run by Federal employees for Federal employees, and its simple objective is to help you save—and pay—for retirement at the lowest possible cost to you. You can leave your account invested in the TSP as long as you want, and receive monthly payments from it throughout your retirement years. 

Rates of Return

	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2012										
Jan	4.87%	4.34%	3.77%	3.03%	1.18%	0.13%	0.88%	4.50%	7.59%	5.36%
Feb	3.99	3.54	3.10	2.53	0.98	0.12	0.05	4.34	3.99	5.14
Mar	1.86	1.68	1.49	1.23	0.54	0.14	-0.61	3.30	2.30	0.13
Apr	-0.78	-0.63	-0.52	-0.38	0.01	0.15	1.12	-0.62	-0.71	-1.87
May	-6.85	-6.00	-5.23	-4.20	-1.38	0.14	0.91	-5.99	-6.91	-11.40
June	4.27	3.77	3.32	2.72	1.04	0.11	0.05	4.13	3.25	7.08
July	0.78	0.75	0.71	0.63	0.37	0.12	1.38	1.40	-0.62	0.56
Aug	2.51	2.23	1.94	1.57	0.63	0.11	0.07	2.25	3.57	3.29
Sep	2.38	2.12	1.87	1.52	0.62	0.10	0.15	2.57	2.51	2.96
Oct	-0.80	-0.71	-0.60	-0.45	-0.11	0.12	0.20	-1.86	-1.31	0.85
Nov	1.19	1.06	0.93	0.77	0.34	0.11	0.16	0.57	1.53	2.41
Dec	1.93	1.69	1.48	1.19	0.47	0.12	-0.13	0.91	2.69	4.02
Annual 2003 - 2012										
2003	-	-	-	-	-	4.11%	4.11%	28.54%	42.92%	37.94%
2004	-	-	-	-	-	4.30	4.30	10.82	18.03	20.00
2005	-	-	-	-	-	4.49	2.40	4.96	10.45	13.63
2006	-	16.53	15.00	13.72	7.59	4.93	4.40	15.79	15.30	26.32
2007	-	7.36	7.14	6.87	5.56	4.87	7.09	5.54	5.49	11.43
2008	-	-31.53	-27.50	-22.77	-5.09	3.75	5.45	-36.99	-38.32	-42.43
2009	-	25.19	22.48	19.14	8.57	2.97	5.99	26.68	34.85	30.04
2010	-	13.89	12.48	10.59	5.74	2.81	6.71	15.06	29.06	7.94
2011	-	-0.96	-0.31	0.41	2.23	2.45	7.89	2.11	-3.38	-11.81
2012	15.85	14.27	12.61	10.42	4.77	1.47	4.29	16.07	18.57	18.62

The returns for the TSP funds represent net earnings after deduction of administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and investment management fees. Additional information about the TSP funds, the related indexes, and their respective 1-, 3-, 5-, and 10-year returns can be found in the TSP Fund Information sheets on the TSP website.

The Lifecycle funds, which are invested in the individual TSP funds (G, F, C, S, and I*), were implemented on August 1, 2005; therefore, the first annual returns are for 2006.

* The Government Securities Investment (G) Fund; the Fixed Income Index Investment (F) Fund; the Common Stock Index Investment (C) Fund; the Small Capitalization Stock Index (S) Fund; the International Stock Index Investment (I) Fund



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