

## **Annual Participant Statement Questions and Answers**

The Thrift Savings Plan has mailed the new annual participant statements to 4.1 million current and former TSP participants. The mailing was based on the zip codes on file for participants. The statements are now available online through Account Access.

Because the annual statements are new, we anticipate that you may have questions about them. The leaflet, [How to Read Your Annual TSP Participant Statement](#), provides descriptions of the various sections of the statement. However, the following Questions and Answers provide more detailed explanations for each section and links to more information about the various topics.

### General information

#### **Q1. How current is the financial data in the statement?**

The financial data is current as of December 31, 2007. Any financial transactions made after that date will not be reflected in the following sections: *Your Annual Account Summary, Account Balance History, Account Distribution, Contribution Allocation, Annual Activity Summary By Fund, Annual Contribution Summary, Lifetime Contributions, Annual Loan Summary.*

#### **Q2. How current is the non-financial data in the statement?**

The non-financial data is current as of January 31, 2008. This data includes the participant's personal information on the front of the statement as well as all data in the *Account Profile* and *Primary Beneficiary Information* sections. Any changes made after January 31<sup>st</sup> will not be reflected on the statement. This means that the statements have the latest information available from the payroll offices, including addresses, employment codes and dates, etc.

#### **Q3. Why are there no transaction details on the annual participant statement?**

The annual participant statement is intended to be a summary of a participant's account. Because it is a summary, the statement displays transaction history as the combined total for the calendar year. For example, in the *Your Annual Account Summary* section, the amount shown in each transaction category is the sum of all transactions made throughout the calendar year for that category. Detailed information about individual transactions is available from the quarterly participant statements.

**Q4. I do not receive quarterly statements. Why did I receive an annual participant statement?**

The TSP is mailing annual participant statements to all participants who had an account balance at any point during the calendar year. The goals of the annual participant statement are to provide a summary of account activity, improve understanding of investment options, highlight portfolio growth, and maintain regular contact with participants. Quarterly participant statements, which provide detailed information about account transactions, are available on the Account Access section of the TSP Web site, [www.tsp.gov](http://www.tsp.gov). Participants may also submit a request on the Web site, through the ThriftLine, or by speaking to a Participant Service Representative to have paper copies of their quarterly statements mailed to them.

**Q5. I do not want to receive my annual participant statement in the mail. How can I stop it from being mailed?**

The 2007 annual participant statements are being mailed to all participants. However, the TSP is developing a feature to allow participants to “opt out” of receiving future annual statements in the mail. Participants who elect this feature will be able to view their annual participant statements on the Account Access section of the TSP Web site.

Participant Information

**Q6. You have an incorrect address for me. How do I correct it?**

Address information is current as of January 31, 2008.

If you are currently employed by the Federal Government or uniformed services, you must change your address for your TSP account through your agency or service.

If you are no longer employed by the Federal Government either as a civilian Federal employee or as a member of the uniformed services, you may submit your address change through the Account Access section of the TSP Web site, by contacting the TSP, or by submitting a change of address Form TSP-9 (if you have a civilian account) or Form TSP-U-9 (if you have a uniformed services account).

**Q7. The statement shows incorrect information regarding my retirement coverage, employment status, or required vesting service. How do I correct it?**

To correct any of this information, you must contact your agency or service, even if you are no longer employed by the Federal government either as a civilian Federal employee or as a member of the uniformed services.

**Q8. What is the state of legal residence and why is that field blank on my statement?**

The legal residence field only applies to members of the uniformed services who retain their home state as their legal residence for tax reporting purposes, even when they are stationed elsewhere. If you are separated from the uniformed services or you are no longer on active duty, you cannot declare a state of legal residence. If you are on active duty, and this field is blank, and you have declared a state of legal residence, you should have your service submit this information to the TSP.

Your Annual Account Summary

**Q9. Is the contribution amount in the “Your Annual Account Summary” the amount of my employee contributions?**

No. This section displays the total of all contributions (employee contributions as well as Agency Automatic (1%) Contributions and Agency Matching Contributions, if applicable) to your account. For a breakdown by type of contribution, you should refer to the “Annual Contribution Summary” on the back of your annual statement.

**Q10. What are transfers/rollovers?**

The TSP can accept funds that are distributed from a traditional IRA or an eligible employer plan (or its designated financial institution) if the funds are considered an "eligible rollover distribution" under the Internal Revenue Code. These funds are called transfers (or rollovers) when they are accepted into your account.

**Q11. What are adjustments?**

Adjustments are corrections to transactions made on your account. Adjustments to contribution and loan payment transactions will be reported as a negative amount while adjustments to withdrawals and loan disbursements will be reported as a positive amount. The adjustment amount shown in *Your Annual Account Summary* is the net amount of all adjustments to your account. For detailed information on your adjustments, you should refer to your quarterly statements. Note: The most common adjustment to participants' accounts is the retrieval of funds by their payroll offices because of an erroneous contribution.

**Q12. My statement shows there were minimum required distributions from my TSP account. What are minimum required distributions?**

If you have separated from service, the IRS requires that you receive a certain portion of your account balance beginning in the year in which you become 70½. This portion, known as a "minimum required distribution," is based on your life expectancy. If you do not make a full withdrawal or begin monthly payments by the year in which you become

70½, the TSP must send you the required distribution before April 1 of the following year. When you choose a withdrawal option, the TSP will determine whether you are required to have a portion of your account paid directly to you as a minimum distribution. The TSP will notify you and make any required minimum distribution payments to you as necessary.

**Q13. My statement shows there were forfeitures from my TSP account. What are forfeitures?**

There are two types of forfeitures – statutory and de minimis. A statutory forfeiture is the forfeiture of your Agency Automatic (1%) Contributions and their earnings, which occurs if you separate from service before satisfying the required vesting service shown on your statement. Your employee contributions and your matching contributions, if any, will not be forfeited to the plan. A de minimis forfeiture occurs when your TSP account balance is less than \$5.00 when you separate from service. Although this amount is automatically forfeited to the plan, you may submit a request to obtain it by writing to the TSP.

**Q14. My statement shows there were excess deferrals from my TSP account. What are excess deferrals?**

The Internal Revenue Service (IRS) sets annual limits on the amounts that a participant can contribute to retirement plans such as the TSP. If you exceed this limit because you contributed both to the TSP and another 401(k)-type plan, you must request a refund of the excess contributions. If you have both a civilian and a uniformed services TSP account and you exceed the annual limit, the TSP will automatically return the excess contributions to you.

**Q15. What is the difference between the investment gain (loss) and the 2007 change in account value?**

The investment gain (loss) is the earnings that your account accrued or lost based on the performance of the investment funds in your account. The 2007 change in account value is the difference between your January 1 opening balance and your December 31 closing balance. It includes all transactions, e.g., contributions, loans, and withdrawals made on your account during the calendar year as well the investment gain or loss on your account.

**Personal Investment Performance**

**Q16. What is “Your 2007 Personal Investment Performance?”**

The Personal Investment Performance (PIP) number is a combined rate of return earned on all of the funds you held in your TSP account during 2007. Your personal performance is based on the performance of your investments and on the timing and

amount of your purchases (e.g., contributions) and redemptions (e.g., loans and withdrawals) as well as the effect of any interfund transfers. Therefore, your personal performance may differ substantially from the performance of the investments themselves.

**Q17. How does the TSP calculate Personal Investment Performance?**

The TSP uses the Modified Dietz method to calculate Personal Investment Performance. The Modified Dietz method weights individual cash flows by the amount of time that those cash flows are held in the portfolio. This method of calculation is widely used by financial analysts and investment managers to measure the time-weighted returns of investment portfolios.

**Q18. All of my money was in one fund in 2007. Why is my Personal Investment Performance different from the rate of return of that fund?**

The Modified Dietz method of calculation is sensitive to large cash flows (e.g., loans, withdrawals, rollovers, or even contributions if the account balance is relatively small) and to volatility in the markets.

If you were invested in one fund, and only one fund, during the statement year, cash flows into or out of that fund could cause the PIP rate of return on your statement to be slightly different from the fund's rate of return.

**Q19. Why doesn't my 2007 participant statement show a Personal Investment Performance number?**

If your TSP balance was \$0 on the first or last business day of any month during the calendar year, an annual rate of return was not calculated, thus the Personal Investment Performance will not display on your statement. This particularly affects new and rehired participants.

Account Balance History

**Q20. I have contributed to the TSP for more than five years. Why are only five years of account balance history displayed?**

The *Account Balance History* displays a maximum of five years of balance history for all participants, regardless of how long the participant has been in the TSP.

**Q21. I have less than five years of account balance history displayed on my statement. Why?**

The *Account Balance History* only displays the December 31 ending balance for each of the last five years. If your December 31 ending balance was zero in any particular year

because you made an in-service or post-separation withdrawal, nothing will display for that year even though you may have had an account balance during that year. Generally, this affects participants who separated from service, withdrew their account balances, and were subsequently rehired.

## Account Distribution

### **Q22. What is *Account Distribution*?**

The *Account Distribution* shows what percentage of your entire account balance was invested in each of your TSP funds as of December 31st.

### **Q23. Why does the pie chart only show three slices when I am invested in more than three funds?**

The *Account Distribution* pie chart does not reflect each of your funds. Instead, it shows how your TSP account balance was invested among three fund categories — Funds for Stability, Funds for Long Term Growth, and Funds for Long Term Growth and Stability. Each slice of the pie chart represents the total amount invested in all of the funds that comprise each category. (If you want a pie chart of your year-end fund allocation, see the pie chart on your 4<sup>th</sup> quarter 2007 statement.)

## Contribution Allocation

### **Q24. What is *Contribution Allocation*?**

The *Contribution Allocation* shows how you have elected to invest your new contributions, loan payments, and transfers or rollovers into the TSP (if any) in the TSP funds as of December 31.

### **Q25. Why does the pie chart only show three slices when I am invested in more than three funds?**

The *Contribution Allocation* pie chart does not reflect each of your funds. Instead, it shows how your new contributions, loan payments, and rollovers, if any, are being invested among the three fund categories — Funds for Stability, Funds for Long Term Growth, and Funds for Long Term Growth and Stability. Each slice of the pie chart represents the total amount allocated in all of the funds that comprise each category.

### **Q26. I am separated and have withdrawn all of my TSP account. Why are percentages showing in the *Contribution Allocation*?**

The contribution allocation shown is the last one we have on file for you. If you are rehired or reenlist and you begin contributing to the TSP again, your new contributions

will be allocated as shown on the statement. Your contribution allocations remains effective until you change it.

## Annual Activity Summary By Fund

### **Q27. All of the TSP funds are not displayed on my statement. Why not?**

The statement only displays the funds in which you had a balance at some point during the calendar year.

### **Q28. Why doesn't the statement show my personal investment performance for each fund?**

The personal investment performance (PIP) shown on the front of the statement provides feedback on your overall investment strategy for your TSP account. The PIP at the fund level would not provide the same quality of feedback. The statement does provide your investment gain or loss at the fund level. The rate of return of each TSP fund is available on the TSP Web site at [www.tsp.gov](http://www.tsp.gov).

## Annual Contribution Summary

### **Q29. Why does the section label indicate that adjustments are not included?**

Adjustments to contributions are the removal of erroneous contributions submitted to your account. An adjustment may be submitted at any time. This means that an adjustment may be made during the year for a contribution that was received in a previous year. Therefore, the *Annual Contribution Summary* section only displays the gross amount of contributions received by the TSP during the calendar year. *Contributions received by the TSP after December 31 are not included in this section, even if the contributions are for your December payroll.* If you had any adjustments during this calendar year, the amount of the adjustments will be displayed in the *Your Annual Account Summary* section of the annual participant statement. For detailed information on any adjustments to your contributions, you should refer to your quarterly participant statements.

### **Q30. The amount displayed in the employee contribution field does not match what is displayed on my W-2s. Why?**

The amount displayed in the employee contribution field is the total amount of contributions received in your account during the calendar year, regardless of which year the contributions are attributable. For example, if your December 2007 contribution was received by the TSP at the beginning of January 2008, then the employee contribution field would not include this amount on your 2007 annual statement although these contributions would have been reported on your 2007 W-2s.

Thus, there will be a difference between the employee contribution amount shown on your statement and the amount reported on your W-2s.

**Q31. Why does the amount displayed in the employee contribution field on my statement exceed the IRS elective deferral limit for employee contributions, which was \$15,500 in 2007? What should I do?**

The \$15,500 IRS limit applies to pre-tax employee contributions only. However, the amount displayed in this field is the total amount of all employee contributions (pre-tax, tax-exempt, and catch-up contributions) received in your account during the calendar year, regardless of which year the contributions are attributable.

Tax-exempt contributions apply to uniformed services participants only. When members of the uniformed services serve in a combat zone or qualified hazardous duty area, most compensation they receive for active service is tax-exempt. Accordingly, their contributions from this pay are also tax-exempt.

Catch-up contributions are supplemental tax-deferred contributions available to all TSP participants age 50 or older who are already contributing the maximum amount of regular TSP contributions for which they are eligible, up to the maximum IRS elective deferral limit of \$15,500 in 2007. Catch-up contributions have their own annual limit of \$5,000 in 2007.

Therefore, if you received tax-exempt contributions, catch-up contributions, or pre-tax contributions attributable to a previous calendar year, it may appear on your statement that you have exceeded the 2007 elective deferral limit although you have not.

For example, if your December 2006 pre-tax contribution was received by the TSP at the beginning of January 2007, then the employee contribution field would include this amount on your 2007 annual statement although these pre-tax contributions would have been counted toward your 2006 elective deferral limit.

### Lifetime Contributions

**Q32. I receive Agency Automatic (1%) Contributions and Agency Matching Contributions. Why are these contributions missing from this section of my statement?**

The *Lifetime Contributions* section only displays employee contributions. For information on your Agency Automatic (1%) and Agency Matching Contributions, you should refer to your quarterly statements.



**Q33. How can my lifetime contributions be higher than my account balance?**

The amount(s) displayed in *Lifetime Contributions* is (are) the gross amount(s) of all employee contributions you have made. Thus, your lifetime contributions may be higher than your account balance if you have received a loan or withdrawal from your account. Your lifetime contributions may also be higher than your account balance if the performance of the funds in your account has resulted in an investment loss.

**Q34. I separated from service and left my account balance in the TSP. I was later rehired (or reenlisted) and began contributing again to the TSP. Do the *Lifetime Contributions* include the contributions from both periods of employment?**

Yes, the *Lifetime Contributions* include the employee contributions from both periods of employment. The same also applies if you withdrew your account balance after you separated and you were later rehired (or reenlisted). The *Lifetime Contributions* will include the employee contributions from both periods of employment

Annual Loan Summary

**Q35. I have had more than one general purpose (or residential) loan this year. Why does the statement only show one loan for this type?**

The statement shows a summary of *all* outstanding loans that you had during the calendar year, by type. For example, if you paid off a general purpose loan in March, and you received a new general purpose loan in September, the amounts shown in the general purpose fields represent the total amount for both loans. For more information on the individual loans, you should refer to your quarterly statements.

**Q36. What is the difference between a nontaxable distribution and a taxable distribution?**

If correct loan payments are not received from your agency or service in accordance with the loan repayment schedule, you must send in a payment yourself to cover the missing amount. If you do not make up the missed payments within the time limits set by the IRS, the TSP must declare a taxable distribution due to default in the amount of the unpaid loan principal and any unpaid interest. If you are a member of the uniformed services, you may also have a nontaxable distribution of the *tax-exempt* portion of your loan.

When members of the uniformed services serve in a combat zone or qualified hazardous duty area, most compensation they receive for active service is tax-exempt. Accordingly, their contributions from this pay are also tax-exempt. Any loans or withdrawals from their uniformed service account will contain a pro-rata portion of their tax-exempt funds.

**Q37. What is interest in arrears?**

The interest in arrears is the amount of interest that accrued on your loan because your loan payments were not up-to-date as of December 31, 2007. If a taxable distribution has not already been declared, you should submit any missing payments and the interest in arrears to make your loan payments current and prevent the taxable distribution of your loan. Participants who were more than two payments behind as of December 31, 2007, were also sent a separate notice informing them of the possibility of a loan default.

Account Profile

**Q38. What are the ThriftLine PIN and Web password dates?**

These are the dates when your ThriftLine PIN and Web password were issued or last changed.

**Q39. Why does my statement show that my ThriftLine and/or Web access is blocked?**

For security reasons, ThriftLine and Web access may be blocked upon a participant's request. Access will remain blocked until the participant requests removal of the block by writing to the TSP. The TSP will also automatically block access to the ThriftLine and Web upon notification that a participant is deceased.

**Q40. Why does my statement indicate that my account is on hold?**

Accounts are placed on hold when the TSP is processing a court order on an account or upon notification that a participant is deceased. Although rare, an administrative hold may also be placed on the account if there is an issue with it (e.g., the participant has notified us that he or she has been the victim of identify theft).

**Q41. My statement indicates that my Web password is "Not Established." How do I establish a password?**

To establish your Web password, visit the Account Access section of the TSP Web site, enter your TSP account number and your four-digit ThriftLine Personal Identification Number (PIN) and then follow the prompts. The password you create must be eight characters long and consist of letters and numbers.

## Primary Beneficiary Information

### **Q42. How do I change the beneficiaries on my account?**

You must change the beneficiaries on your account by submitting a new Form TSP-3 (TSP-U-3 for members of the uniformed services), Designation of Beneficiary, which you can obtain from the Forms and Publications section of the TSP Web site. The completed form must be submitted directly to the TSP. Do not submit the form to your agency or service. After your form has been processed, we will send you a confirmation notice.

Note: Many of the Designation of Beneficiary forms we have on file were filed some time ago. We urge participants to be sure that their beneficiary designation is up to date. If there is any question, the best action is to submit a new designation.

### **Q43. Why aren't all of my beneficiaries displayed on the statement?**

The statement only displays your primary beneficiaries. If you have named contingent beneficiaries, their names will not be displayed on your statement. Also, if you have named more than twelve primary beneficiaries, none of the beneficiary names will be displayed on the statement.

You may obtain your beneficiary information by calling (or writing) the TSP. However, you must be able to answer a few questions about your account before the Participant Services Representative can release this information to you. Also, please do not call on Monday – this is traditionally our heaviest call volume day and we can serve you better if you call later in the week.

### **Q44. Will my beneficiary designation expire?**

No. Your designation of beneficiary will remain in effect until you change or cancel it. However, you should review your designation of beneficiary whenever your personal situation changes (for example, as a result of marriage, birth or adoption of a child, or divorce).

**IMPORTANT:** By law, we must pay your designated beneficiary under all circumstances. For example, if you designated your spouse as your death benefit beneficiary, we must pay your TSP account to your former (or separated) spouse even if you are separated or divorced and even if you remarry. This is true even if your spouse gave up all rights to your TSP account in the separation agreement or divorce decree.

## A Personal Message for You

### **Q45. I received a personal message that my beneficiary shares do not equal 100%. What should I do?**

If your beneficiary shares do not equal 100%, you should submit a new Form TSP-3 (TSP-U-3 for members of the uniformed services), Designation of Beneficiary, which you can obtain from the Forms & Publications section of the TSP Web site or from your agency or service. You will receive a confirmation notice when your new form is processed.

### **Q46. I know that my beneficiary shares equaled 100% on my designation form, yet I received a personal message stating that my beneficiary shares do not equal 100%. What should I do?**

You may speak to a Participant Services Representative who will review a copy of the form you submitted and confirm whether the beneficiary shares equal 100%. If the shares equal 100%, the representative will have the information corrected in the TSP record keeping system. However, if the shares do not equal **100%**, you must submit a new Form TSP-3 or TSP-U-3.

The information in the TSP record keeping system is available for reference. However, when we pay a death benefit, we also go back to the designation of beneficiary form to confirm the beneficiaries and the amounts to be paid.

### **Q47. I received a personal message on my statement that I am not contributing to the TSP. How do I start contributing?**

To start contributing to the TSP, ask your agency or service for the TSP Election Form (TSP-1 or TSP-U-1 for members of the uniformed services), download the form from the TSP Web site, or use your agency's or service's electronic version if one is available. If your contributions were suspended because you received an in-service financial hardship withdrawal, you must submit Form TSP-1 or TSP-U-1, along with the Contribution Resumption notice that you received from the TSP, to resume contributions after the six-month contribution suspension period has ended.

For more information about participating in the TSP, click here if you are a civilian employee and here if you are a member of the uniformed services.

### **Q48. Why did I receive a personal message asking if I was still actively employed?**

You received that message because the TSP did not receive any employee or agency contributions for you during the calendar year, but was not notified that you were separated from service. If you are separated, you should have your agency or service notify the TSP. If you are active but have stopped contributing, you may disregard this

message, unless you are a FERS employee. Eligible FERS employees should receive Agency Automatic (1%) Contributions, whether or not they make employee contributions. If you have received this message and believe you are an eligible FERS employee, you should contact your agency regarding the Agency Automatic contributions.

**Q49. I received a personal message because I am solely invested in the G Fund. Do I have to make a change to my investments?**

No. You are not required to make an investment change. Your investment decisions should be based on your long-term retirement goals and your own tolerance to investment risk. Therefore, we strongly encourage participants to review their asset allocations at least annually to be sure that they are on target.

The TSP provides information that may help you in determining how you want your money invested. You can check out Highlights articles, the TSP Fund Sheets, and calculators. If you aren't sure how to diversify your funds, let the L Funds do the work for you.

**Q50. I received a message that I can withdraw my money from the TSP. Do I have to withdraw my money from the TSP?**

If your account balance is greater than \$200, you can keep your money in the TSP until you have reached age 70½ and are separated from service. At that time, you are subject to the IRS required minimum distributions rules and are also required to make a full withdrawal election.

If your account balance is less than \$200, please send us a withdrawal form so we can disburse your account to you. If you have a civilian TSP account, you should complete a Form TSP-70, Request for Full Withdrawal. If you have uniformed services account, you should complete a Form TSP-U-70.