

Thrift Savings Plan Background

- The Thrift Savings Plan (TSP) is a voluntary retirement savings plan offered to Federal employees, including members of Congress.
- It offers comparable benefits and features to those available to private sector employees in 401(k) retirement plans, including pre-tax contributions through convenient payroll withholding.
- The TSP currently has 3.4 million participants, and their investments have grown to \$152 billion. Participants voluntarily add \$1.3 billion per month in new contributions to their accounts.
- Participants have the choice to invest in any or all of five broad-based investment funds:
 - A stable value fund invested in U.S. Treasury securities
 - An index fund comprising investment grade bonds
 - Small and mid-cap stock index fund
 - Large cap stock index fund
 - International stock index fund
- These funds have the following 10-year compound annual rates of return:

• G Fund (government securities fund)	6.04%	(3.67% real)
• F Fund (bond index fund)	6.95%	(4.58% real)
• C Fund (common stock index fund)	10.99%	(8.62% real)
• S Fund (small capitalization stock index fund)	9.70%	(7.33% real)
• I Fund (international stock index fund)	4.32%	(1.95% real)
- Beginning this summer, the TSP will offer lifecycle portfolios, each with a designated ratio of investments among the five TSP funds. This balanced, diversified portfolio will automatically reallocate as the participant's retirement date approaches.
- Administration and investment costs for the TSP are low at 6 basis points, or 60 cents per \$1,000 of account balance. A Senate hearing in 2004 discovered that many "low-cost" funds have expense ratios between 20 and 65 basis points. Other funds' costs are significantly higher.
- The TSP is administered by the Federal Retirement Thrift Investment Board. Governance of the Board is carried out by five independent part-time Presidential appointees and a full-time Executive Director whom they select. TSP funds are held in trust. As fiduciaries, the Board Members and the Executive Director are required to act prudently and solely in the interest of TSP participants and beneficiaries.

- The Board provides training and develops educational materials including publications, forms and videos. It maintains an interactive web site (www.tsp.gov) and a toll free telephone center for participants to obtain these materials, check account balances, change contribution levels, adjust investment allocations or request withdrawals.