



How the TSP Fits Into FERS

Retirement planning experts advise that you'll need about 70-80% of your pre-retirement income to continue your current quality of life during retirement.¹ The federal retirement system can be complex, so be sure you know what applies to you. If you're not certain what your retirement system is, check with your personnel or benefits office.

If you're covered by the Federal Employees Retirement System (FERS), you'll receive benefits from three different sources:

- 1) First is your **basic pension** (also known as the FERS Basic Benefit). A pension is a fixed amount of money paid to you after retirement, typically for the rest of your life. You'll receive a pension based on how long you worked for the federal government and what is generally known as your "high-3" average pay. High-3 is the highest average basic pay you earned during any three consecutive years of service.

Your agency covers most of the cost of your basic pension, but you

pay your share too. Essentially, a percentage is withheld from your paycheck. Upon retirement, you will receive a payment each month.

- 2) Next, like most workers, you'll be eligible for **Social Security** benefits. Social Security replaces about 40% of an average wage earner's income after retiring, and those benefits are paid monthly. The earliest age you can start receiving retirement benefits is age 62, but your benefits are reduced a fraction of a percent for each month before your full retirement age (generally between ages 66 and 67).² If you retire when you reach full retirement age, you'll receive full Social Security retirement benefits.

While you're working, both you and your federal agency pay a percentage of your earnings toward your Social

Security benefits through payroll deductions. There are many factors at play when it comes to calculating your Social Security benefits. You can learn more by visiting ssa.gov.

- 3) Lastly, you have the **Thrift Savings Plan** (TSP), the largest 401(k)-type plan in the world. Your TSP account is the one piece that is almost entirely up to you. Generally, you can only make your basic pension and Social Security benefits higher by working longer or earning more money. But the TSP is different:
 - Saving consistently and making smart investment choices may mean the difference between a comfortable retirement and a difficult one.



¹ Isaacs, Katelin. "Federal Employees' Retirement System: Benefits and Financing." Congressional Research Service, 2015.

² "Social Security: Understanding the Benefits," ssa.gov. Last modified March 2016, <https://www.ssa.gov/pubs/EN-05-10024.pdf>.

- Plus, the TSP includes “free” money since your agency will match up to 5% of your salary. And our Lifecycle funds help you balance risk and reward over time.
- Finally, when you retire, you decide how you’d like to receive payments from your account.

Combined, these three FERS retirement benefits need to provide enough income for you to live your ideal retirement when you no longer get a paycheck.

There are many exceptions, special provisions, and exclusions, so it can be difficult to keep up with your benefits. Talk to your personnel or benefits office if you have questions. Visit tsp.gov to use the “How Much Should I Save? (Ballpark Estimate)” calculator to see if you’re on track for a strong financial retirement. It’s up to you to take control of your retirement years by learning more about your FERS benefits.

What If I’m CSRS or Military?

If you’re covered by the Civil Service Retirement System (CSRS) or are a member of the uniformed services, the TSP is a supplement to your CSRS annuity or military retired pay. Even though you may receive a pension from your agency or service when you retire, it might not be enough.

That’s where the TSP comes in. Although you generally don’t receive matching or automatic contributions, you’re still able to take advantage of the benefits of contributing to the TSP such as our

low fees, easy-to-understand investment options, and the freedom to keep your money right where it is when you leave federal service.

Plus, for uniformed services, changes are on the horizon. A new system called “blended retirement” is currently scheduled to go into effect in 2018. With changes such as automatic enrollment and matching contributions, the new system will make the TSP a much larger component of uniformed services members’ retirement.

Rates of Return and Expenses

	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Rates of Return as of April 30, 2016										
Year-to-Date	1.10%	1.15%	1.14%	1.05%	0.96%	0.63%	3.55%	1.77%	1.02%	- 0.39%
1-Year	- 2.49	- 1.73	- 1.10	- 0.31	1.40	2.05	3.05	1.29	- 5.53	- 9.94
3-Year	7.19	6.79	6.23	5.39	3.55	2.12	2.77	11.34	8.72	1.43
5-Year	7.30	6.92	6.36	5.49	3.54	1.96	3.94	11.08	8.55	1.81
2015 Administrative Expenses										
Gross	.043%	.043%	.043%	.043%	.043%	.043%	.043%	.043%	.043%	.043%
Net¹	.029%	.029%	.029%	.029%	.029%	.029%	.029%	.029%	.029%	.029%
Other Expenses²										
	.013%	.012%	.010%	.007%	.003%	.000%	.016%	.004%	.038%	.015%

The returns for the TSP funds represent net earnings after the 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 as of April 30, 2016. (For more recent returns, visit “Fund Performance” at tsp.gov.) Additional information about the TSP funds; their related indexes; and their respective monthly, annual, and 10-year returns can be found in the TSP Fund Information sheets or by visiting “Fund Performance” at tsp.gov.

With the exception of L 2050, the Lifecycle funds, which are invested in the individual TSP funds—G, F, C, S, and I³—were implemented on August 1, 2005. Therefore, their first annual returns are for 2006. Since L 2050 was implemented on January 31, 2011, its first annual returns are for 2012.

¹ Net administrative expenses are the expenses charged to TSP participants per dollar invested in the respective funds after offsetting gross administrative expenses with account forfeitures and loan fees.

² Fees associated with securities lending are not included in 2015 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the funds.

³ The Government Securities Investment (G) Fund contains government securities; the Fixed Income Index Investment (F) Fund contains government, corporate, and asset-backed bonds; the Common Stock Index Investment (C) Fund contains stocks of large and medium-sized U.S. companies; the Small Capitalization Stock Index Investment (S) Fund contains stocks of small to medium-sized U.S. companies; and the International Stock Index Investment (I) Fund contains stocks from more than 20 developed countries.

