



Pickering's Financial Group

No Shortcuts to Financial Protection

What is the TSP?

TSP stands for the Thrift Savings Plan. The TSP is an important benefit designed to help you save for your future. The TSP is comparable to a private-sector tax-deferred 401(k) plan. You can participate in the TSP if you are covered by FERS, CSRS, or CSRS Offset.

The TSP offers all participants:

- *Tax deferral on contributions*
- *A choice of 5 investment funds*
- *A loan program*
- *In-service withdrawals for financial hardship or after age 59*
- *A choice of post-separation withdrawal options*
- *The ability to transfer money from other eligible retirement savings plans into your TSP account*

The TSP is especially important for FERS employees because it is one of three parts of your retirement coverage. Beginning July 1, 2001, FERS employees can contribute as much as 11% of basic pay each pay period, up to the IRS annual limit. (The IRS limit for 2001 is \$10,500.) As a FERS employee, you can receive 2 types of agency contributions to your TSP account, which together can equal as much as 5 percent of your basic pay.

1. *Agency Automatic (1%) Contributions. When you become eligible, your agency automatically deposits into your TSP account an amount equal to 1% of your basic pay each pay period, even if you do not contribute your own money. After 3 years of Federal civilian service (or 2 years in some cases), you are vested in these contributions and their earnings.*
2. *Agency Matching Contributions. When you become eligible, your agency will match the first 3% of basic pay you contribute each pay*

period dollar for dollar. Each dollar of the next 2% of basic pay will be matched 50 cents on the dollar. You are immediately vested in the matching contributions.

CSRS employees do not receive any Government contributions in their TSP accounts. However, CSRS employees can still take advantage of the TSP to provide a source of retirement income in addition to your CSRS retirement benefit. Beginning July 1, 2001, CSRS employees can contribute up to 6% of basic pay each pay period.

Administrative and investment expenses

All retirement investment vehicles, including the TSP, charge fees in order to meet their expenses. While this cost is only one of several factors you should consider when making investment decisions, the cumulative effect of fees and expenses can substantially reduce the growth of your investments. We encourage you to visit the [Department of Labor's webpage about retirement plan fees](#).

We break our expenses into administrative expenses and investment expenses.

The TSP's **gross administrative expenses** include

- the costs of operating and maintaining our recordkeeping system,
- the cost of providing participant services, and
- the printing and mailing of notices, statements, and publications.

These expenses are first paid by forfeitures and [loan fees](#). **Net administrative expenses** are what's left over after we've used up those forfeitures and fees:

gross administrative expenses

– forfeitures and fees

= net administrative expenses

In addition to our administrative expenses, we also have **investment expenses**, which are the fees we pay to our investment managers.

To meet our net administrative expenses and our investment expenses, we make small reductions to our funds' earnings. All TSP participants in a given fund pay the same percentage of their investment in the fund to help us meet our expenses. This percentage is called an **expense ratio**. An expense ratio is the result of dividing a fund's expenses by the average dollar amount held in the fund.

Example: In the first table below, you'll see that the total expense ratio for the F Fund in 2021 was 0.058%. Another way of saying that is that TSP participants' investments in the F Fund were reduced by 58 cents for every \$1,000 invested. A participant with \$1,000 invested in the F Fund paid 58 cents toward the fund's expenses; a participant with \$100,000 invested paid \$58. Everyone pays the same percentage. So the larger your share of the fund, the larger your share of the expenses.

You can quickly convert the expense ratios in the tables below to cost-per-\$1,000-invested by moving the decimal point one space to the right. (For example, 0.058% converts to \$0.58, or 58 cents.)

This first table shows, for each of the TSP individual funds, the **2021** gross administrative expense ratio, the net administrative expense ratio, and the investment expense ratio. It then adds the net administrative expense ratio to the investment expense ratio to show you the total expense ratio. This is how much the fund's earnings were reduced to allow us to meet our expenses.

G Fund	F Fund	C Fund	S Fund	I Fund
Gross administrative expense ratio				

0.053%	0.053%	0.052%	0.053%	0.053%
Net administrative expense ratio				
0.043%	0.043%	0.042%	0.043%	0.043%
Investment expense ratio				
0.000%	0.015%	0.001%	0.016%	0.010%
Total expense ratio (Net admin + Investment)				
0.043%	0.058%	0.043%	0.059%	0.053%

The next table shows the same information for each of the TSP's Lifecycle (L) Funds. Because each of the L Funds is made up entirely of varying amounts of the G, F, C, S, and I Funds, the expense ratios shown here reflect the expenses of the underlying funds in each L Fund. The L Funds don't have separate expenses.

L	L 2025	L 2030	L 2035	L 2040	L 2045	L 2050	L 2055	L 2060	L 2065
Income									
Gross administrative expense ratio									

0.053 %	0.052 %	0.053 %	0.052 %	0.052 %	0.052 %	0.052 %	0.052 %	0.052 %	0.052 %
Net administrative expense ratio									
0.043 %	0.043 %	0.043 %	0.042 %	0.043 %	0.042 %	0.043 %	0.042 %	0.042 %	0.043 %
Investment expense ratio									
0.002 %	0.004 %	0.005 %	0.005 %	0.006 %	0.006 %	0.006 %	0.006 %	0.006 %	0.006 %
Total expense ratio (Net admin + Investment)									
0.045 %	0.047 %	0.048 %	0.047 %	0.049 %	0.048 %	0.049 %	0.048 %	0.048 %	0.049 %



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