



# 2008 TSP Participant Survey Results



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## Executive Summary

The Federal Retirement Thrift Investment Board (FRTIB) contracted with Watson Wyatt Worldwide, an independent consultancy, in a follow-up study of the opinions of Federal employees and uniformed services members with regard to their needs, attitudes, understanding, and satisfaction with the Thrift Savings Plan (TSP) plan. The survey was also designed to gauge participants' reactions to some potential enhancements to the TSP that are under consideration. A survey was conducted in November 2008 through a paper-based mailing to the homes of a random sample of Federal employees and uniformed service members who have participated in the TSP.

The key findings of the survey include:

- Overall, Federal employees and uniformed service members are satisfied with the ease of use, security and the quality of services provided by the TSP.
- TSP is identified as critical to the retirement security of Federal employees and uniformed service members
- Members of the Federal Employees' Retirement System (FERS) are highly engaged with the TSP, contributing a percentage of pay at much higher rates than those in the private sector.
- There is some evidence that the financial turmoil occurring at the time of the survey is having an effect on employees. For example, there was an increase in respondents saying they didn't have enough money to contribute to the plan, and there is evidence that some respondents have had to cut or eliminate their contributions or take money out of their account.
- As of the survey date, most participants had not made major changes to their retirement savings patterns in response to the financial and economic situation. The most commonly cited actions that participants have or are considering undertaking was to put more of their account balance into the G Fund and to

change how they invest their new contributions. As such, there appears to be an increase in more conservative investment strategies among respondents.

- While 56 percent of respondents prefer adding a Roth feature to the TSP, only 36 percent have established a Roth IRA account. Many respondents who expect their tax rates to decline in retirement nevertheless say they would contribute to a Roth 401(k) account if that option were available, despite the tax disadvantages of doing so.
- Two out of 5 respondents support adding a self-directed mutual fund window. This option would address the segment of TSP participants (between 18 and 30 percent) who indicated in 2006 that the TSP should add additional investment options even if they cost more. Ten percent of respondents in the current survey indicated they would be willing to pay an annual fee of \$100 to use the self-directed mutual fund window.
- Most respondents believe that it would be possible to get more Federal employees and uniformed service members to contribute to the TSP. The most often cited changes to increase participation are automatic enrollment for new employees/members of the uniformed services and matching contributions for members of the uniformed services.

## **About the Survey**

The Federal Retirement Thrift Investment Board (FRTIB) partnered with Watson Wyatt in November 2008 to conduct a survey of participants in the Thrift Savings Plan (TSP). This survey is an extension of an earlier survey that was fielded in September 2006. As with the previous study, the objectives of this survey included gaining a better understanding of participants' needs, attitudes, understanding, and satisfaction with a number of elements of the TSP. The study also sought to gauge participants' reactions to some potential changes to the TSP that are under consideration.

To create a valid survey instrument, Watson Wyatt and the FRTIB collaborated to refine survey content through an iterative process. As part of this exercise, the team administered two pretest sessions with FRTIB employees, Federal employees, and Federal human resource representatives outside of the FRTIB to solicit feedback on the ease and appropriateness of the instrument. The final instrument contained 48 closed-ended items (including sub-items) as well as one open-ended question in which participants were asked to provide comments or suggestions regarding the TSP. The survey also included several demographic questions to allow segmentation of results. The final survey content was approved by senior leadership, including the Executive Director of the FRTIB, prior to survey administration. The final survey instrument is included as Appendix B to this report. Watson Wyatt performed all survey distribution, data collection, and data analysis to ensure confidentiality.

Watson Wyatt mailed paper survey packets to 35,121 randomly selected Federal employees and uniformed service members to achieve a statistically reliable, representative sample. In addition to the paper survey, respondents were also given an option to complete the survey online. There were 871 survey packets returned as undeliverable, leaving 34,250 eligible for completion. Survey administration occurred between November 17 and November 26, 2008. A total of 4,891 FRTIB participants completed the online or paper survey, representing a total response rate of 14.3 percent. Overall, 68% of respondents (3,305) completed the survey on paper, while the other 32%

(1,586) completed it online. The response rate for the 2006 survey was 19 percent. The higher response for the previous survey is the result of two separate solicitations in November 2006 and March 2007.

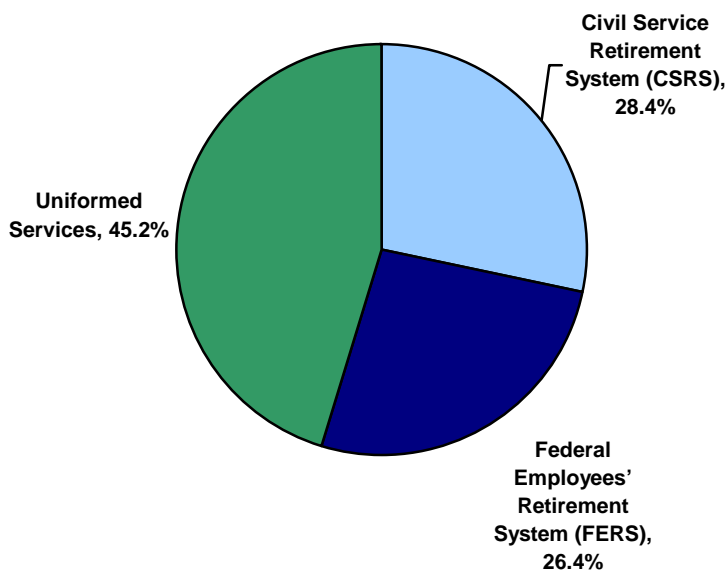
The table below provides the standard errors at the total program level as well as at the retirement system level for a 95 percent confidence interval (see Figure 1.1). In analyzing any particular survey item, the actual margin of error will vary based on the number of respondents who answered that item and the actual estimated distribution of the responses.

**Fig. 1.1 Number Responding and Estimated Margins of Error by Retirement System**

<u>Retirement System</u>	<u>Number Mailed</u>	<u>Number Responding</u>	<u>Margin of Error</u>
TSP Overall	35,121 <sup>1</sup>	4,891	1.4%
Civil Service Retirement System (CSRS)		1,389	2.6%
Federal Employees' Retirement System (FERS)		1,292	2.7%
Uniformed Services (Active Duty and Reserves)		2,210	2.1%

<sup>1</sup> Overall, 871 surveys were unable to be delivered, resulting in an adjusted response rate of 14.3%.

**Fig. 1.2 Distribution of Respondents by Retirement System**



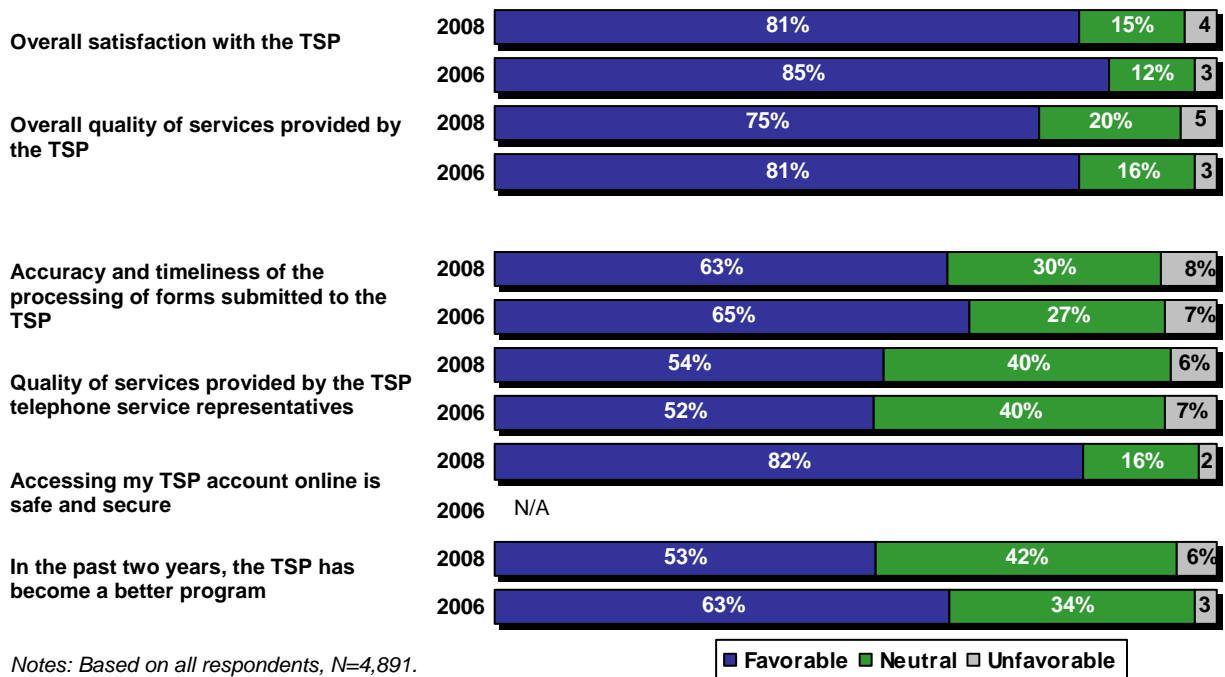
Again, it is important to recognize that the survey was fielded at a time when there was a tremendous amount of uncertainty in the economy and in the financial markets. The financial crisis has eroded the savings and wealth of millions of American families and job losses are on the rise. Over the three months from September through November 2008, the S&P 500 index declined more than 35 percent during a period of significant market volatility. Likewise, housing values declined significantly in many regions of the country, creating additional angst among employees, especially those nearing retirement. It is quite reasonable to expect that the reactions of Federal employees and uniformed services members to questions about retirement expectations, goals and, specifically, the Thrift Savings Plan will be influenced by the turbulent market environment. It is quite difficult to determine the magnitude of this impact in the responses. However, comparisons to the previous survey results are added throughout the report to help provide insight into how perceptions have changed between the two periods.

## Part A: TSP Benefits and Services

### Overall Satisfaction with TSP and Customer Service

As a whole, respondents have a high level of satisfaction with the TSP, reporting an 81 percent favorable rating for “overall satisfaction with the TSP” and 75 percent favorable rating for the “overall quality of services provided by the TSP” (see Figure 2.1 to 2.4). While these findings dipped slightly since the 2006-07 Participant Survey (by -4 and -5 percent respectively), these results compare favorably to the 68 percent of private-sector participants who indicate a favorable rating on their 401(k) plan.<sup>1</sup> Further, this drop may also be partially attributed to displeasure with investment performance during the current economic climate. Notably, the lowest levels of overall satisfaction with the TSP are among younger and lower-paid participants, who are most vulnerable in the current economic climate. Specific indicators of high participant satisfaction with the TSP include the quality of available plan services and the level of customer service. Eighty-one percent of respondents report satisfaction with the service options available to them.

**Fig. 2.1 Satisfaction with the TSP**



Notes: Based on all respondents, N=4,891.

<sup>1</sup> Watson Wyatt Retirement Attitude Survey (2004) collected responses on overall 401(k) plan satisfaction from 7,911 private sector employees at 982 firms.



For those who submitted forms to the TSP for processing, 63 percent are satisfied with the accuracy and timeliness of this service, a slight drop from the 2006-07 survey. The majority of respondents do not have an opinion about the quality of service received from TSP telephone service representatives on the ThriftLine. We know this because most left the related question blank or selected “Not Applicable”, indicating they likely did not speak with a service representative. Of those who did respond to the question, more than half (54 percent) report they are satisfied, while another 40 percent were “neutral” – a similar result to the 2006-07 survey. This is not surprising given participants’ strong preference for the web over phone interaction. For those who access their account online, most participants (82 percent) believe it is safe and secure.

An area in which respondent opinion has become less favorable since the 2006-07 survey is the perception of the TSP becoming a better program in the last two years, with 53 percent in agreement, down 10 percentage points. Again, this result may be attributed more to the decline in participants’ asset values due to the market conditions at the time of the survey than to actual changes in the program made in the last two years. An additional factor could be attributed to the restrictions on interfund transfers implemented in 2008.

**Fig. 2.2 Satisfaction with the TSP by Retirement System**

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
<b>Overall satisfaction with the TSP - 2008</b>	<b>86.1%</b>	<b>2.9%</b>	<b>82.6%</b>	<b>3.2%</b>	<b>77.0%</b>	<b>5.7%</b>
Overall satisfaction with the TSP - 2006	87.7%	2.7%	85.4%	2.4%	83.2%	3.8%
Overall quality of services provided by the TSP - 2008	79.7%	3.4%	77.3%	3.6%	71.8%	6.5%
Accuracy and timeliness of the processing of forms submitted to the TSP- 2008	70.1%	6.2%	64.9%	5.7%	56.4%	9.7%
Quality of services provided by the ThriftLine - 2008	62.2%	5.4%	57.1%	4.5%	46.6%	7.9%
Accessing my TSP account online is safe and secure- 2008	79.6%	2.4%	79.5%	3.4%	83.8%	1.8%
In the past two years, the TSP has become a better program- 2008	57.3%	5.0%	50.9%	5.8%	50.6%	5.8%

Notes: Based on all respondents, N=4,891.

*“TSP is a phenomenal program. I am active duty and I think the Uniformed Services should do two things: 1.) Provide matching contributions and 2.) do automatic enrollment.”*

**Fig. 2.3 Satisfaction with the TSP by Pay**

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
<b>Overall satisfaction with the TSP - 2008</b>	<b>75.5%</b>	<b>5.7%</b>	<b>82.3%</b>	<b>3.8%</b>	<b>82.3%</b>	<b>4.4%</b>
Overall satisfaction with the TSP – 2006	78.9%	5.0%	86.1%	2.7%	88.0%	2.1%
Overall quality of services provided by the TSP – 2008	70.3%	5.9%	76.4%	4.7%	77.0%	4.7%
Accuracy and timeliness of the processing of forms submitted to the TSP - 2008	56.7%	9.2%	64.9%	6.8%	62.5%	7.7%
Quality of services provided by the ThriftLine - 2008	53.2%	8.5%	56.0%	5.0%	50.7%	6.5%
Accessing my TSP account online is safe and secure - 2008	75.4%	4.2%	81.3%	2.4%	85.2%	1.5%
In the past two years, the TSP has become a better program - 2008	49.8%	5.7%	52.5%	5.4%	54.4%	5.8%

Notes: Based on all respondents, N=4,891.

**Fig. 2.4 Satisfaction with the TSP by Age**

	Less than Age 40		40s		Over Age 40	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
<b>Overall satisfaction with the TSP - 2008</b>	<b>76.7%</b>	<b>5.9%</b>	<b>81.3%</b>	<b>4.3%</b>	<b>82.8%</b>	<b>3.6%</b>
Overall satisfaction with the TSP - 2006	84.4%	3.6%	84.5%	3.0%	85.9%	2.8%
Overall quality of services provided by the TSP – 2008	71.6%	7.4%	77.0%	4.3%	76.5%	4.0%
Accuracy and timeliness of the processing of forms submitted to the TSP– 2008	59.3%	9.5%	61.8%	6.9%	64.5%	7.1%
Quality of services provided by the ThriftLine– 2008	48.9%	6.5%	51.2%	6.6%	57.1%	5.9%
Accessing my TSP account online is safe and secure– 2008	83.6%	2.4%	83.6%	1.9%	79.8%	2.6%
In the past two years, the TSP has become a better program– 2008	50.9%	6.2%	50.5%	5.3%	54.4%	5.5%

Notes: Based on all respondents, N=4,891.

## ***Information and Resources***

American employees assume a significant role in preparing for and ensuring a secure retirement. Employers, however, must provide the essential information, education and resources to help their employees meet this goal. The ability of employees to access account information easily and as often as needed is an important step for employers in ensuring retirement preparedness.

**TSP participants overwhelmingly note that the Internet (See Figures 3.1 & 3.2) is their preferred means for accessing and receiving TSP account information.**

Participants generally favor accessing their account information online from home (49 percent). Uniformed service members are particularly Internet savvy, as nearly 3 in 5 report accessing their TSP account information online from home. In addition, younger Federal employees also have a proclivity for retrieving their account information through their home Internet connection. **Dedicating greater resources to enhancing the TSP's web-based information and tools would have wide-ranging effects for TSP participants.**

*“...I wish the web site was more user friendly & set up more like a traditional investment / 401k program in which I was able to have more options for reviewing & researching investments options... to look at my investments over time.”*

Despite today's high-tech information age, a large number of participants (24 percent) continue to favor paper statements for their account information. The number of quarterly paper statements that are printed and mailed by the TSP is actually about 14 percent of the population. The difference may be attributable to the TSP's online capability, where participants can print their statement via the Web. Only 4 percent of respondents rely on the TSP ThriftLine for regular updates on their account. In fact, less than half of all TSP participants (45.7 percent) indicate having ever contacted the TSP ThriftLine and spoken to a telephone service representative about their account.

**Fig. 3.1 How TSP Participants Usually Access Account Information by Retirement System**

*How do you usually access/receive your TSP account information?*

	CSRS	FERS	Uniformed Services	All - 2006	All - 2008
Online from home	46.5%	48.2%	60.4%	49.4%	<b>53.2%</b>
Online from work	33.0%	37.5%	30.1%	38.0%	<b>32.9%</b>
Receive quarterly paper statements	28.3%	25.0%	20.7%	29.7%	<b>24.0%</b>
Review annual participant statements	18.7%	16.2%	16.2%	n/a	<b>16.9%</b>
I don't review	2.8%	6.0%	4.4%	6.6%	<b>4.4%</b>
Call the TSP ThriftLine	6.0%	4.2%	2.8%	3.2%	<b>4.1%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 3.2 How TSP Participants Usually Access Account Information by Age and Pay**

*How do you usually access/receive your TSP account information?*

	Age			Pay			All - 2008
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Online from home	58.2%	57.5%	49.5%	50.2%	53.4%	55.6%	<b>53.2%</b>
Online from work	37.0%	34.5%	30.7%	17.8%	33.0%	41.3%	<b>32.9%</b>
Receive quarterly paper statements	22.3%	20.9%	26.1%	29.1%	23.9%	20.8%	<b>24.0%</b>
Review annual participant statements	15.4%	16.9%	17.6%	18.2%	15.1%	18.3%	<b>16.9%</b>
I don't review	6.0%	3.8%	4.0%	8.7%	4.0%	2.7%	<b>4.4%</b>
Call the TSP ThriftLine	2.4%	2.9%	5.3%	5.4%	5.2%	2.0%	<b>4.1%</b>

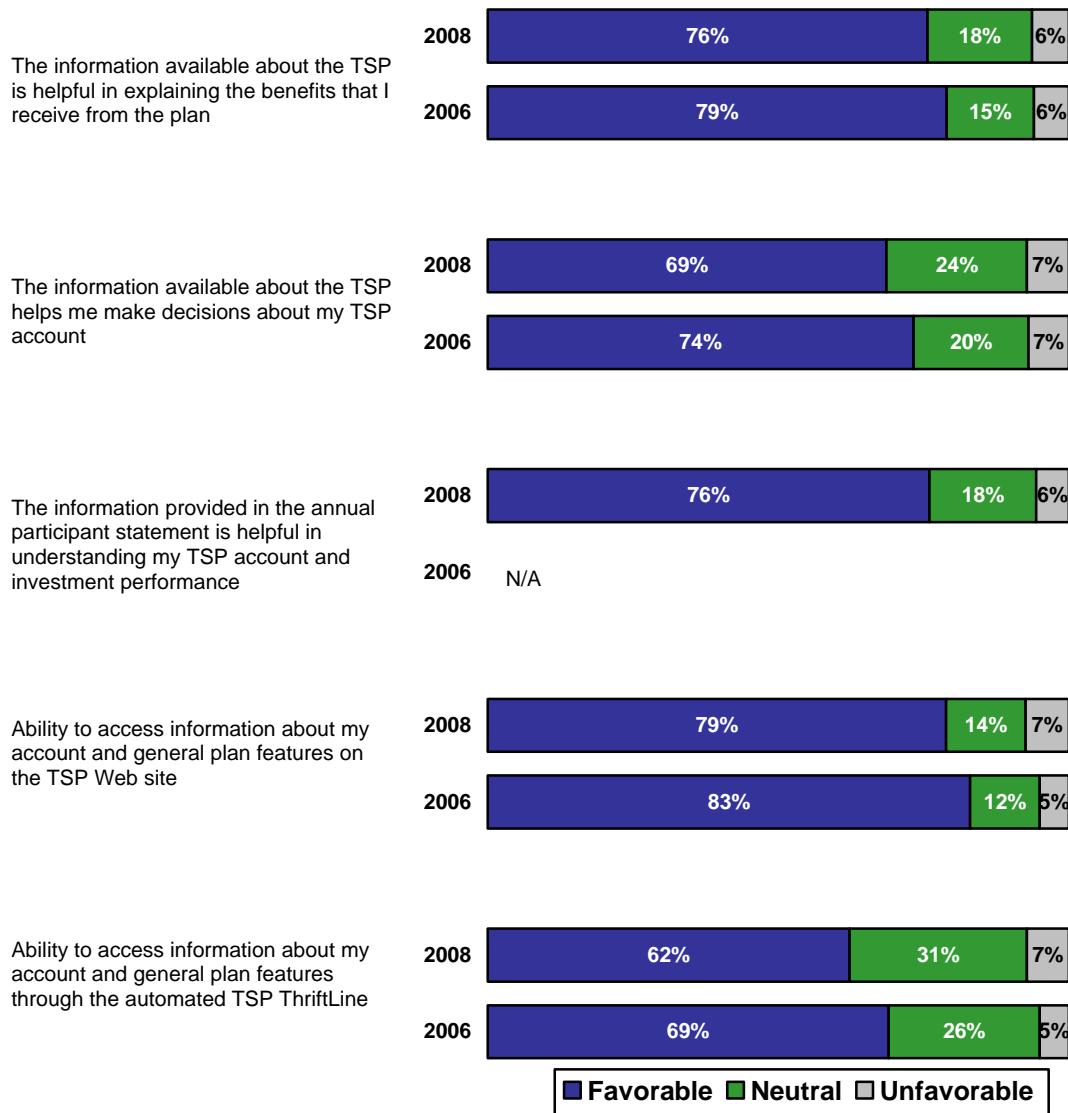
Notes: Based on all respondents, N=4,891.

TSP participants generally find the information about the TSP useful and easy to access, although favorability on these items has declined since the initial survey was conducted in 2006-07 (See Figures 4.1 to 4.3). Three out of four respondents report that available TSP information helped to explain the plan's benefits. Sixty-nine percent also note that this information aided with decisions regarding their TSP account.

In general, survey respondents are satisfied with their ability to access information about their account and with the plan's overall features. As in the prior 2006-07 survey, respondents report higher satisfaction with getting their information through the TSP

Web site rather than the ThriftLine (79 percent versus 62 percent, respectively, as shown in Figure 4.1). This is not a surprising finding since most respondents cite the Internet as their main method for accessing or receiving TSP account information.

**Fig. 4.1 Satisfaction with TSP Information**



Notes: Based on all respondents, N=4,891.

**Fig. 4.2 Satisfaction with TSP Information by Retirement System**

*TSP Information and changes in individual options*

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Information is helpful in explaining benefits that I receive from the TSP	80.7%	4.3%	75.1%	6.6%	72.8%	7.5%
Information helps me make decisions about my TSP account	71.8%	5.7%	68.2%	7.7%	66.8%	7.8%
The information provided in the annual participant statement is helpful in understanding my TSP account and investment performance	81.4%	3.5%	75.1%	5.7%	73.2%	6.8%
Ability to access information about my account and general plan features on the TSP Web site	82.3%	5.3%	79.6%	6.6%	76.3%	9.2%
Ability to access information about my account and general plan features through the automated TSP ThriftLine	70.2%	4.8%	66.3%	6.5%	54.6%	9.3%

Notes: Based on all respondents, N=4,891.

**Fig. 4.3 Satisfaction with TSP Information by Pay**

*TSP Information and changes in individual options*

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Information is helpful in explaining benefits that I receive from the TSP	69.8%	7.9%	75.9%	6.6%	78.1%	5.3%
Information helps me make decisions about my TSP account	63.7%	9.5%	68.5%	7.0%	71.5%	6.3%
The information provided in the annual participant statement is helpful in understanding my TSP account and investment performance	71.0%	8.0%	76.0%	5.0%	79.0%	5.0%
Ability to access information about my account and general plan features on the TSP Web site	73.4%	7.9%	78.8%	7.2%	81.3%	7.6%
Ability to access information about my account and general plan features through the automated TSP ThriftLine	57.6%	9.1%	63.6%	6.7%	62.5%	7.2%

Notes: Based on all respondents, N=4,891.

Participants who take an active role in the management of their investment choices and savings rates today have the best opportunity to achieve retirement savings goals and expectations in the future. One step in actively managing an account is to review account information regularly. Overall, participants appear to be highly engaged in reviewing

their accounts. Over two-thirds of TSP participants review their account at least quarterly (See Figures 5.1 and 5.2).

**Fig. 5.1 Frequency that Participants Review Account by Retirement System (2008 vs. 2006)**

*How often do you review your TSP account?*

	Frequency that Participants Review Account		
	Monthly or Quarterly	Semi-Annually or Annually	Rarely or Never
<b>2008</b>	<b>63.9%</b>	<b>19.1%</b>	<b>16.9%</b>
FERS	63.7%	16.8%	19.5%
CSRS	69.4%	17.3%	13.4%
Uniformed Services	60.6%	21.7%	17.7%
<b>2006</b>	<b>65.1%</b>	<b>17.0%</b>	<b>17.9%</b>
FERS	63.6%	14.1%	22.3%
CSRS	67.0%	18.7%	14.3%
Uniformed Services	64.6%	17.8%	17.6%

Notes: Based on all respondents, N=4,891.

**Fig. 5.2. Frequency that Participants Review Account by Age and Pay**

*How often do you review your TSP account?*

	Frequency that Participants Review Account		
	Monthly or Quarterly	Semi-Annually or Annually	Rarely or Never
<b>Age</b>			
Less than Age 40	57.9%	19.2%	22.9%
40s	61.7%	22.4%	16.0%
Age 50 and Over	67.6%	17.5%	14.8%
<b>Pay</b>			
Less than \$40K	53.7%	18.6%	27.7%
\$40K to \$80K	65.0%	17.2%	17.8%
\$80K and Over	67.8%	21.2%	11.0%

Notes: Based on all respondents, N=4,891.

### ***Current TSP Design***

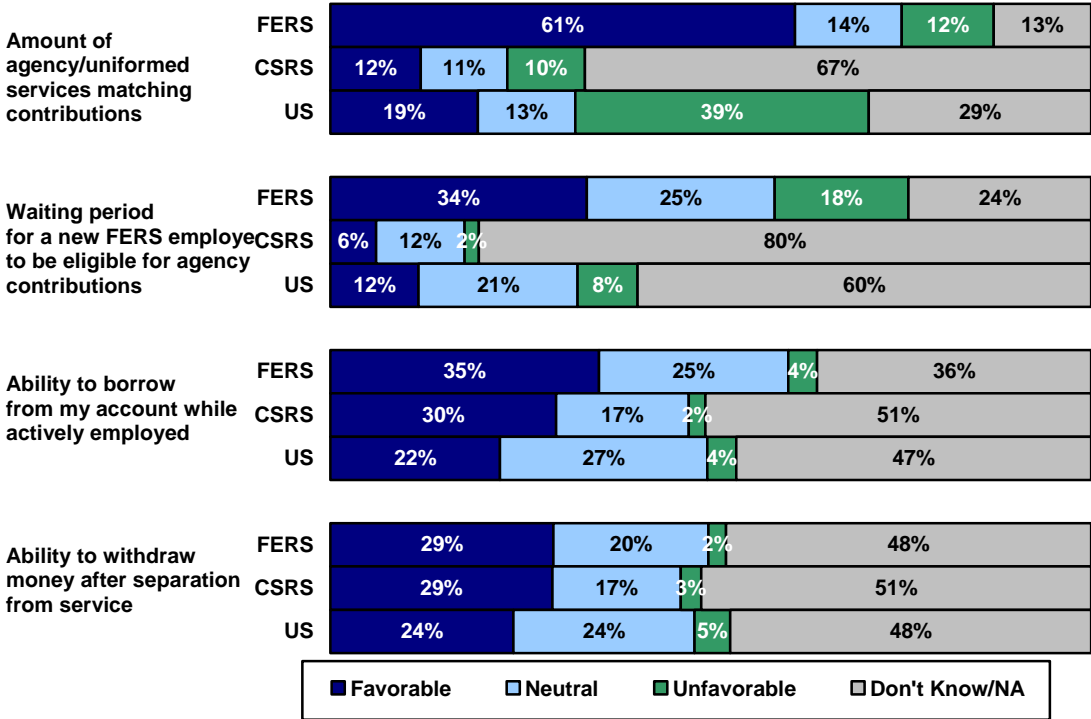
Survey participants were asked for their opinions about specific elements of the current TSP. Many respondents did not have an opinion or were uncertain about how to respond. The frequent selection of “Don’t Know/Not Applicable” by survey respondents may indicate that some plan options are not available to them. This response also may suggest a lack of knowledge about specific plan elements or the inability to spontaneously recall specific plan elements.

FERS participants are the most satisfied with the level of matching contributions, while uniformed service participants are, not surprisingly, the most dissatisfied with the level of matching contributions (See Figure 6). Satisfaction with matching contributions by participants in systems other than the FERS suggests that they are either unaware that a match is not provided or are aware but accept this fact. FERS participants are generally content with the waiting period to receive agency contributions, as the majority of respondents (59 percent) responded “favorably” or “neutral”.

A participant’s ability to withdraw money from his/her TSP account after separation from service and the ability to borrow from the account while actively employed is generally viewed favorably (See Figure 6). These two questions also received many “neutral” responses, suggesting that participants may be indifferent to the ability to withdraw or borrow money from their accounts. Also, a significant number of respondents replied “Don’t Know/Not Applicable” to these items, which re-enforces the high degree of indifference among respondents to withdraw or borrow money from their accounts. However, it may also reveal a degree of indifference because these participants have not yet had the need to investigate the availability of the benefits.



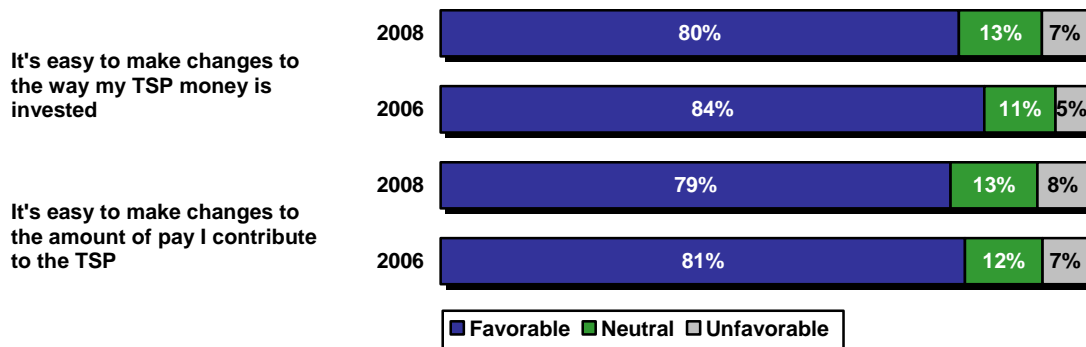
**Fig. 6 Satisfaction with Characteristics of the TSP**



## Making Administrative Changes

Survey respondents report a high level of satisfaction with their ability to make changes to their TSP accounts (See Figures 7.1 to 7.3). Eighty percent report that it is easy to make changes to their TSP investment allocations, and 79 percent note that it is easy to make changes to their contribution amounts, both very positive results despite slightly declining from the 2006-07 survey (by -4 and -2 percents, respectively). This is particularly noteworthy given the addition of the interfund transfer restrictions in 2008.

**Fig. 7.1 Ease of Administrative Changes**



Notes: Based on all respondents, N=4,891.

**Fig. 7.2 Ease of Administrative Changes by Retirement System**

TSP Information and changes in individual options

	CSRS		FERS		Uniformed Service	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
It's easy to make changes to the way my TSP money is invested	83.8%	5.2%	78.7%	8.0%	78.4%	7.8%
It's easy to make changes to the amount of pay I contribute to the TSP	80.6%	5.4%	79.1%	8.5%	77.6%	8.6%

Notes: Based on all respondents, N=4,891.

**Fig. 7.3 Ease of Administrative Changes by Pay**

TSP Information and changes in individual options

	Less than \$40K		\$40K to \$80K		\$80K and Over	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
It's easy to make changes to the way my TSP money is invested	73.8%	8.7%	80.5%	7.7%	82.6%	5.9%
It's easy to make changes to the amount of pay I contribute to the TSP	75.1%	7.7%	79.1%	7.5%	80.4%	8.1%

Notes: Based on all respondents, N=4,891.

## ***Asset Allocation in the TSP***

In addition to employee contributions to retirement accounts, how funds are invested over a participant's career can significantly affect the level of funds available at retirement. Similar to private sector defined contribution plans, the responsibility for making investment decisions rests with TSP participants. Like other employer-sponsors of self-directed savings plans, the FRTIB seeks to ensure that TSP participants have sufficient education and information in order to make informed contribution and investment decisions. If participants do not make asset allocation decisions, funds in their accounts are invested in the G Fund, which invests in short-term U.S. Treasury securities with no risk of loss of principal.

The survey asked participants to describe their approach for investing in the TSP. Overall, the distribution of risk approaches is concentrated between moderate risk and balanced – comprising nearly three in five responses (See Figure 8). However, more than a third of TSP participants identify their approach as low risk or no risk, which is appreciably higher than indicated in the 2006-2007 survey (36.1% vs. 28.3%). Again, this could represent a shift to a more conservative approach due to fear and concern over the turbulent financial markets. It could also be indicative of an older population of respondents in this year's survey. However, slightly more than 10 percent of respondents indicate that they follow a high risk approach to investing their TSP funds, which is comparable to the 2006-2007 survey results.

The approach taken by TSP participants is highly linked to the respondent's age. Based on survey responses, younger participants, as expected, are taking on more risk in investing their TSP assets. These responses are in line with what professional financial advisers typically suggest for employees, who are early in their careers and have a long investment horizon. These younger employees are well-matched to invest a higher proportion of their retirement assets in equity funds and shift to more stable fixed-income assets as they approach retirement. This common approach – known as time

diversification – is based on the principle that the longer the time horizon, the greater an investor’s ability to weather short-term declines.

**Fig. 8 Self-Reported Approach to Investing TSP Assets by Retirement System, Age and Pay**

*How would you describe your approach for investing the money in your TSP account?*

	High Risk	Moderate Risk	Balanced	Low Risk	No Risk
<b>All - 2008</b>	<b>10.7%</b>	<b>25.7%</b>	<b>27.6%</b>	<b>20.5%</b>	<b>15.6%</b>
All - 2006	11.8%	28.5%	31.5%	18.6%	9.7%
<b>Retirement System</b>					
CSRS	9.1%	18.6%	24.6%	26.3%	21.4%
FERS	10.8%	21.9%	28.4%	22.5%	16.4%
Uniformed Service	11.6%	32.4%	29.1%	15.6%	11.4%
<b>Age</b>					
Less than Age 40	17.1%	34.3%	25.7%	13.8%	9.2%
40s	12.5%	33.4%	28.7%	15.2%	10.3%
Age 50 and Over	7.4%	18.5%	27.9%	25.8%	20.5%
<b>Pay</b>					
Less than \$40K	6.7%	19.6%	27.2%	25.6%	20.8%
\$40K to \$80K	11.5%	24.7%	27.0%	20.2%	16.7%
\$80K and Over	11.8%	29.7%	28.3%	18.4%	11.8%

Notes: Based on all respondents, N=4,891 for 2008 and N=5,053 for 2006.

TSP participants can select from five individual investment funds that provide a wide range of investment risks to meet a wide range of participant objectives. The **G Fund** is the most conservative option and is based on investing in short-term Treasury securities without risk of loss. The **F Fund**, a conservative fixed income option that tracks the Barclays Capital U.S. Aggregate Bond Index (formerly Lehman Brothers U.S. Aggregate (LBA) Index), requires investors to bear market and credit risks not exhibited by the G Fund. TSP’s equity options are provided by the **C Fund**, **S Fund** and **I Fund**. The C Fund invests in a fund of medium-to-large U.S. companies that replicates the S&P 500 Index. The S Fund invests in a broad market fund of small- and medium-sized U.S. companies that track closely to the Dow Jones Wilshire 4500 Completion Index. The I Fund invests in a stock index fund that replicates the Morgan Stanley Capital International EAFE Index, a broad international market index comprised primarily of large companies in 21 developed countries. For participants who do not have the time, experience or interest in managing their accounts, the TSP also offers five **L Funds** – **Lifecycle Funds** – with differing time horizons. Each L Fund invests in a mix of the five

individual TSP funds described above. The mix is chosen by experts based on each fund's time horizon.

Survey results indicate a very strong link between participant risk approaches and actual investment choices (See Figure 9). As appropriate, respondents who indicate a high or moderate investment risk approach report a much higher share of equities in their actual TSP account. Those who chose a very aggressive or high risk strategy hold only 19 percent of their assets in the more conservative G Fund and F Fund. Conversely, the majority of those who indicate a low or no risk investment strategy primarily invest in the G Fund. Respondents, who indicate a moderate or balanced approach to risk, hold the highest share of their TSP assets in the L Fund, while those, who report being very cautious, hold the lowest.

**Fig. 9 TSP Investment Allocations Aligned with Self-Reported Risk Tolerances**

		<i>Percentage of Total TSP Account Balance by Fund</i>						<i>TSP Account Balance</i>	
		<b>G Fund</b>	<b>F Fund</b>	<b>C Fund</b>	<b>S Fund</b>	<b>I Fund</b>	<b>L Fund</b>	<b>Average</b>	<b>Median</b>
<b>High Risk</b>	<b>2008</b>	16.4%	2.9%	29.8%	16.7%	22.3%	9.5%	\$40,627	\$19,912
	2006	17.4%	2.1%	30.7%	18.1%	21.7%	9.9%	\$38,831	\$12,770
<b>Moderate Risk</b>	<b>2008</b>	24.0%	5.1%	24.7%	12.7%	11.6%	19.6%	\$40,187	\$17,820
	2006	25.0%	3.3%	31.1%	14.4%	13.9%	12.2%	\$40,367	\$18,113
<b>Balanced</b>	<b>2008</b>	42.8%	6.4%	16.1%	6.5%	6.6%	19.4%	\$42,522	\$21,952
	2006	41.8%	6.1%	22.0%	7.3%	6.8%	15.6%	\$41,941	\$18,583
<b>Low Risk</b>	<b>2008</b>	67.6%	7.2%	7.2%	2.3%	2.3%	10.7%	\$48,382	\$23,407
	2006	65.9%	4.5%	13.7%	2.1%	2.5%	10.5%	\$37,126	\$16,257
<b>No Risk</b>	<b>2008</b>	87.7%	2.4%	3.2%	0.9%	0.7%	3.6%	\$50,475	\$29,114
	2006	90.9%	1.1%	4.3%	0.4%	0.8%	2.4%	\$36,372	\$20,894

*Notes: Based on all respondents, N=4,891 for 2008 and N=5,053 for 2006.*

From an investment perspective, an asset allocation of about 70 percent to equities appears reasonable in light of the long-term retirement objectives of most defined contribution savings plans. Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) collaborated and estimated the average asset allocation of funds in private sector defined contribution accounts for various years through 2007. Based on their estimates, at year-end 2007, equity securities – equity funds, the equity portion of balanced funds and company stock – represented about two-thirds of 401(k) plan participants’ assets.<sup>2</sup> On average, the largest portion was invested directly in equity funds at almost 48 percent. Direct exposure to equities is particularly high among younger private sector employees (under age 40) with 52 percent investing in equity funds compared to employees in their 60s who invest in equity funds at 38 percent. Older private sector employees invest a much higher share of their assets in fixed-income securities, which is consistent with the time-diversification approach.

However, survey respondents, on average, invest far less in equities. Overall, TSP participants invest nearly an equal share of their assets in fixed-income securities and equity funds (See Figure 10.1 to 10.6). The average TSP account – that equally weights each participant’s investment allocation – has more than half (54.1%) of its assets invested in the G Fund and F Fund. The fixed-income share is lower among participants age 30 to 49 and rises as participants approach retirement. However, the share of TSP funds invested in equities – particularly the C Fund – rises as years of service with Federal government/uniformed services grows. In particular, the share of assets invested in the G Fund drops significantly after participants reach two years of service and declines even further at five years of service. Lastly, TSP participants who rarely or never check their account balance invest a much greater share of assets in the G Fund, while participants, who review their accounts more frequently, invest a much greater share of assets in the equity funds and the L Funds.

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<sup>2</sup> *EBRI Issue Brief, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2007, No. 324, December 2008.*

One explanation for this relatively low share of TSP participants invested in equities may be attributed to Federal employees being more conservative investors than private sector employees. There is also some sense that Federal employees, who take great pride in their jobs, may view the G Fund like private sector employees view their company's stock. An alternative explanation may be the high level of participant inertia with a disproportionate share of participants not making active investment decisions and instead settling for the default portfolio – 100 percent G Fund.

**Fig. 10.1 Average Asset Allocation of TSP Accounts by Age**

	Percentage of Total TSP Account Balance by Fund						TSP Account Balance	
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund	Average	Median
Less than Age 30	54.6%	2.4%	8.4%	6.8%	9.5%	16.6%	\$6,182	\$2,391
30 to 39	38.8%	3.9%	15.2%	9.6%	10.7%	19.0%	\$14,014	\$6,908
40 to 49	40.8%	5.5%	17.7%	10.1%	8.1%	15.2%	\$34,084	\$16,951
50 to 59	50.6%	6.1%	15.9%	5.9%	7.0%	12.2%	\$51,388	\$33,877
Age 60 and Over	59.0%	5.1%	15.9%	4.4%	4.6%	9.4%	\$66,935	\$45,299
Participant-Weighted <sup>1</sup>	49.0%	5.1%	15.6%	7.1%	7.4%	13.6%	\$41,992	\$19,956
Dollar- Weighted	51.2%	6.0%	18.3%	6.0%	6.0%	12.4%		

Notes: <sup>1</sup> Equal-weighted by share of assets in participant account. Distribution of funds is based on administrative records for all respondents. N=4,891.

**Fig. 10.2 Average Asset Allocation of TSP Accounts by Tenure**

	Percentage of Total TSP Account Balance by Fund						TSP Account Balance	
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund	Mean	Median
Less than 2 years	69.3%	1.6%	4.5%	3.4%	4.0%	17.1%	\$5,393	\$1,787
2 to 5 years	52.6%	2.9%	9.9%	5.6%	7.8%	19.9%	\$9,204	\$3,376
5 to 15 years	45.1%	4.3%	14.4%	8.4%	9.3%	16.0%	\$22,598	\$9,282
15 to 25 years	42.8%	5.7%	17.7%	9.9%	8.4%	12.8%	\$42,434	\$17,382
25+ years	50.5%	5.9%	17.3%	5.8%	6.5%	11.6%	\$60,409	\$42,907
Participant-Weighted <sup>1</sup>	49.0%	5.1%	15.6%	7.1%	7.4%	13.6%	\$41,992	\$19,956
Dollar- Weighted	51.2%	6.0%	18.3%	6.0%	6.0%	12.4%		

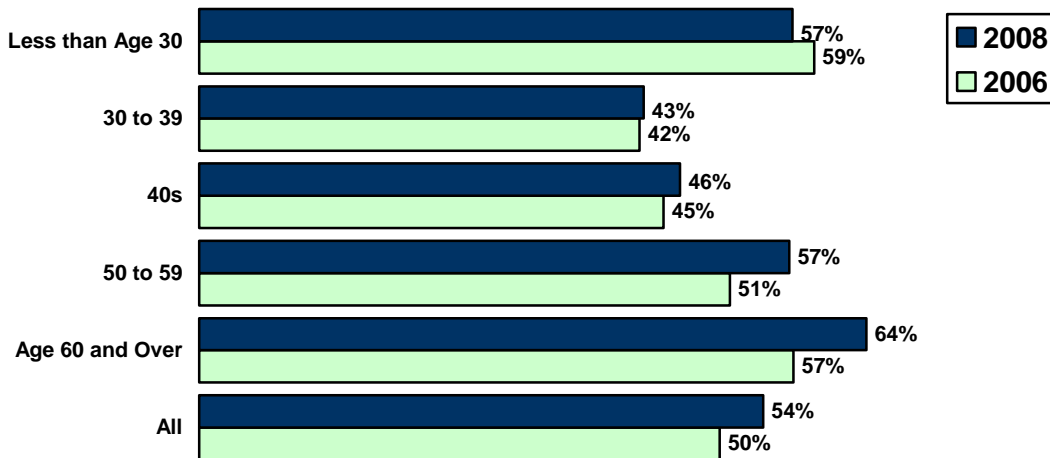
Notes: <sup>1</sup> Equal-weighted by share of assets in participant account. Distribution of funds is based on administrative records for all respondents. N=4,891.

**Fig. 10.3 Average Asset Allocation of TSP Accounts by Pay**

	Percentage of Total TSP Account Balance by Fund						TSP Account Balance	
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund	Mean	Median
Less than \$40K	63.4%	3.8%	10.7%	4.7%	5.2%	11.1%	\$18,680	\$5,851
\$40K to \$60K	52.2%	4.2%	14.1%	5.9%	7.3%	12.7%	\$29,548	\$14,847
\$60K to \$80K	45.7%	5.5%	15.5%	7.4%	7.8%	15.7%	\$37,637	\$22,150
\$80K to \$100K	45.2%	5.9%	17.1%	8.2%	7.9%	13.2%	\$54,683	\$32,121
\$100K and Over	38.3%	5.7%	19.8%	9.8%	9.2%	15.5%	\$67,351	\$40,233
Participant-Weighted <sup>1</sup>	49.0%	5.1%	15.6%	7.1%	7.4%	13.6%	\$41,992	\$19,956
Dollar- Weighted	51.2%	6.0%	18.3%	6.0%	6.0%	12.4%		

Notes: <sup>1</sup> Equal-weighted by share of assets in participant account. Distribution of funds is based on administrative records for all respondents. N=4,891.

**Fig. 10.4 Average Asset Allocation of TSP Accounts in the G Fund and F Fund by Participant Age**



Notes: Distribution of funds is based on administrative records for all respondents. Based on all respondents, N=4,891 for 2008 and N=5,053.



**Fig. 10.5 Average Asset Allocation of TSP Accounts in the G Fund and F Fund by Participant Age and Tenure**

	Percentage of Total TSP Account Balance Invested in The G & F Funds					
	Less than 2 years	2 to 5 years	5 to 15 years	15 to 25 years	25+ years	All
Less than Age 30	62.9%	59.4%	53.2%	-	-	57.0%
30 to 39	65.4%	42.4%	40.5%	37.8%	-	42.7%
40s	80.3%	48.9%	46.5%	42.1%	47.1%	46.2%
50 to 59	81.7%	52.3%	63.1%	57.6%	54.7%	56.7%
Age 60 and Over	69.4%	82.0%	66.4%	68.8%	62.0%	64.1%
All	70.9%	55.5%	49.4%	48.6%	56.4%	54.2%

Notes: Distribution of funds is based on administrative records for all respondents. N=4,891.

**Fig. 10.6. Average Asset Allocation of TSP Accounts by Frequency that Participants Review Account**

Frequency that Participants Review Account	Percentage of Total TSP Account Balance by Fund					
	G Fund	F Fund	C Fund	S Fund	I Fund	L Fund
Monthly or Quarterly	46.3%	5.4%	15.0%	7.5%	8.4%	14.8%
Semi-Annually or Annually	45.6%	5.2%	18.7%	8.1%	7.0%	13.7%
Rarely or Never	62.5%	4.0%	14.1%	4.8%	4.3%	9.0%
Participant-Weighted Average <sup>1</sup>	49.0%	5.1%	15.6%	7.1%	7.4%	13.6%
Dollar- Weighted	51.2%	6.0%	18.3%	6.0%	6.0%	12.4%

Notes: <sup>1</sup> Equal-weighted by share of assets in participant account. Distribution of funds is based on administrative records for all respondents. Based on all respondents, N=4,891.

The extent to which TSP investment allocations differ based on the resources participants used in making their fund allocations may provide some insight on how informed their choices have been. In fact, respondents who received professional advice or reviewed the TSP web site or publications tend to choose a more risky asset portfolio with a greater share of their TSP account in equities (See Figure 11.1 to 11.3). **These findings indicate that TSP participants are actively using the educational materials provided through the TSP. These materials are also playing an important role in developing financial literacy and promoting sound investment decisions among TSP participants.** Higher income participants are more likely to seek professional advice on their accounts (See Figure 11.2).

**Fig. 11.1 Resources Used by TSP Participants to Determine Investment Strategy by Retirement System**

*How did you determine where to invest your TSP money?*

	CSRS	FERS	Uniformed Services	All - 2006	All - 2008
Reviewed TSP Web site/publications	25.4%	22.0%	29.4%	33.1%	<b>26.3%</b>
Left in G Fund	20.4%	23.0%	14.9%	21.2%	<b>18.6%</b>
Selected L Fund	13.1%	18.4%	18.8%	16.8%	<b>17.1%</b>
Received advice from a financial professional	13.2%	13.5%	14.9%	14.3%	<b>14.1%</b>
Received advice from family/friends	11.5%	13.5%	7.6%	11.9%	<b>10.3%</b>
Received advice from co-workers	12.6%	10.8%	6.4%	11.9%	<b>9.3%</b>
Spoke with agency/uniformed services rep	1.8%	1.7%	2.6%	2.2%	<b>2.1%</b>
None of above	15.6%	14.7%	14.8%	n/a	<b>15.0%</b>

Notes: Based on all respondents, N=4,891 for 2008 and N=5,053 for 2006.

**Fig. 11.2 Resources Used by TSP Participants to Determine Investment Strategy by Age and Pay**

*How did you determine where to invest your TSP money?*

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Reviewed TSP Web site/publications	25.2%	30.5%	25.1%	18.5%	25.5%	31.3%	<b>26.3%</b>
Left in G Fund	17.2%	14.2%	21.3%	30.3%	18.9%	12.1%	<b>18.6%</b>
Selected L Fund	22.6%	19.8%	13.7%	13.2%	17.7%	18.7%	<b>17.1%</b>
Received advice from a financial professional	15.3%	15.1%	13.3%	9.0%	13.3%	17.8%	<b>14.1%</b>
Received advice from family/friends	13.7%	9.4%	9.4%	9.9%	12.1%	8.5%	<b>10.3%</b>
Received advice from co-workers	8.6%	9.6%	9.4%	8.7%	11.3%	7.3%	<b>9.3%</b>
Spoke with agency/uniformed services rep	2.3%	2.1%	2.1%	2.9%	2.3%	1.6%	<b>2.1%</b>
None of above	13.4%	13.9%	16.1%	17.9%	13.8%	15.1%	<b>15.0%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 11.3 Resources Used by TSP Participants to Determine Investment Strategy and Corresponding Assets Invested in the G and F Funds**

*How did you determine where to invest your TSP money?*

Resources	Percentage That Use Resource	Percentage of Assets invested in the G and F Funds	
		Use Resource	Don't Use Resource
Reviewed TSP Web site/publications	26.3%	47.4%	56.6%
Left in G Fund	18.6%	91.1%	45.8%
Selected L Fund	17.1%	27.6%	59.7%
Received advice from a financial professional	14.1%	38.9%	56.7%
Received advice from family/friends	10.3%	52.7%	54.4%
Received advice from co-workers	9.3%	54.9%	54.1%
Spoke with agency/uniformed services rep	2.1%	66.5%	53.9%
None of above	15.0%	56.2%	53.8%

Notes: Distribution of funds is based on administrative records for all respondents. N=4,891.

## ***Withdrawals and Rollovers***

When a Federal employee or uniformed service member leaves their job with the Federal Government or service, there are a number of options he/she can make regarding his/her TSP account balance. Participants with an account balance of \$200 or greater may leave their funds in the TSP. They may also withdraw their account as a single payment, a series of monthly payments, a life annuity, or as any combination of these full-withdrawal options. Separated participants in some cases may transfer their withdrawal payments to an eligible employer plan or IRA. All separated participants must elect a full withdrawal option at age 70½.

When asked about their plans for their TSP account balance when they leave service, exactly half of all respondents plan to leave their funds with the TSP (See Figures 12.1 to 12.3). This is particularly the case among participants of the CSRS and uniformed services. Respondents with higher account balances also plan to keep their money with the TSP. It is not surprising that respondents, who are not actively working for the Federal Government or uniformed services, are more inclined to leave their funds with the TSP, since in many regards they have already made this decision. Those who have separated from service and withdrawn their account from the TSP would not have been solicited to complete this survey. However, only 14 percent of respondents plan to roll over all or some of their account balance to an IRA and few plan to transfer their account to another employer. Nearly one in five respondents indicate wanting to receive monthly payments from the TSP. This is most prevalent among FERS participants. However, an equal share are unsure what they will do with their account funds. Very few indicate plans to purchase a TSP annuity.

**Fig. 12.1 Plans for TSP Account Balance When Separate From Service by Retirement System**

*What do you plan to do with your TSP account balance when you separate from service, or what have you already done if you are currently separated from service?*

	CSRS	FERS	Uniformed Services	All
Leave it in the TSP	53.4%	36.5%	55.7%	<b>50.0%</b>
Receive monthly payments from the TSP	20.2%	26.9%	10.0%	<b>17.4%</b>
Don't know	13.6%	24.5%	15.5%	<b>17.3%</b>
Roll over all or some to an IRA	11.3%	11.1%	17.3%	<b>14.0%</b>
Take a single payment in cash	8.6%	5.0%	4.3%	<b>5.7%</b>
Combination single payment and/or annuity payment	5.8%	6.8%	4.2%	<b>5.3%</b>
Roll over all or some to a 401(k) plan of another employer	0.4%	2.6%	7.8%	<b>4.3%</b>
Purchase a TSP annuity	3.4%	3.6%	1.5%	<b>2.6%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 12.2 Plans for TSP Account Balance When Separate From Service by TSP Account Balance**

*What do you plan to do with your TSP account balance when you separate from service, or what have you already done if you are currently separated from service?*

	TSP Account Balance					All
	Less than \$5K	\$5K to \$25K	\$25K to \$50K	\$50K to \$100K	\$100K and Over	
Leave it in the TSP	39.9%	51.7%	54.5%	52.3%	57.5%	<b>50.0%</b>
Receive monthly payments from the TSP	16.0%	15.2%	19.9%	19.1%	19.7%	<b>17.4%</b>
Don't know	22.4%	15.6%	15.9%	16.8%	13.7%	<b>17.3%</b>
Roll over all or some to an IRA	14.9%	15.7%	10.2%	14.0%	12.7%	<b>14.0%</b>
Take a single payment in cash	8.6%	5.9%	5.6%	3.4%	2.6%	<b>5.7%</b>
Combination single payment and/or annuity payment	4.3%	5.6%	5.3%	5.7%	6.4%	<b>5.3%</b>
Roll over all or some to a 401(k) plan of another employer	7.0%	5.9%	2.9%	1.3%	0.8%	<b>4.3%</b>
Purchase a TSP annuity	2.2%	1.8%	2.4%	3.7%	4.3%	<b>2.6%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 12.3 Plans for TSP Account Balance When Separate From Service by Employment Status**

*What do you plan to do with your TSP account balance when you separate from service, or what have you already done if you are currently separated from service?*

	Active	Not Active		All
	(N=3,412)	Retired (N=568)	Not Retired (N=911)	
Leave it in the TSP	41.4%	70.6%	69.4%	<b>50.0%</b>
Receive monthly payments from the TSP	18.8%	21.7%	9.4%	<b>17.4%</b>
Don't know	22.0%	4.4%	7.9%	<b>17.3%</b>
Roll over all or some to an IRA	16.1%	5.6%	11.1%	<b>14.0%</b>
Take a single payment in cash	6.3%	4.2%	4.6%	<b>5.7%</b>
Combination single payment and/or annuity payment	6.1%	4.8%	3.0%	<b>5.3%</b>
Roll over all or some to a 401(k) plan of another employer	4.1%	0.0%	7.9%	<b>4.3%</b>
Purchase a TSP annuity	3.2%	0.7%	1.5%	<b>2.6%</b>

Notes: Based on all respondents, N=4,891.

The IRS restricts when an individual can withdrawal funds from a tax-deferred savings account primarily to discourage leakage from these programs. Generally, withdrawals may begin at age 59½ if still employed or, in some cases, at age 55 for those who terminate employment after that age. If the individual is under age 55 when employment terminates (or 59½ if still employed), a 10% excise tax is usually imposed on withdrawals. However, the IRS also requires individuals to withdraw a minimum amount from their account beginning at age 70½.

When asked about the age at which they plan to withdrawal money from their TSP account, most respondents are unsure (See Figures 13.1 to 13.3). However, for those who do know, most plan to wait until they are required to withdrawal funds at age 70½. This is most prevalent among CSRS participants and less so among FERS participants. This is not surprising since the results above indicate that the TSP tends to be more of a supplemental plan to participants of the CSRS and uniformed services, whereas the TSP account is viewed more as the primary source of retirement income among FERS participants. Likewise, later withdrawals are most evident among those who are older or already retired and among those with higher pay. Very few respondents indicate a desire to start withdrawing their funds before age 55, although it is more common among younger and lower paid respondents.

**Fig. 13.1 Anticipated Age to Withdraw Money from TSP Account by Retirement System**

*At what age do you anticipate starting to withdraw money from your TSP account?*

	CSRS	FERS	Uniformed Services	All
Don't Know	20.2%	26.4%	23.3%	<b>23.2%</b>
At 70.5	30.8%	15.1%	20.9%	<b>22.2%</b>
60 to 64	18.0%	19.0%	19.1%	<b>18.8%</b>
66 to 70	11.7%	18.2%	15.4%	<b>15.1%</b>
At 65	5.9%	9.9%	10.9%	<b>9.2%</b>
55 to 59	7.0%	7.4%	6.8%	<b>7.0%</b>
I've already started withdrawals	5.9%	2.9%	0.8%	<b>2.8%</b>
Before I'm 55	0.4%	1.1%	2.9%	<b>1.7%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 13.2 Anticipated Age to Withdraw Money from TSP Account by Employment Status**

*At what age do you anticipate starting to withdraw money from your TSP account?*

	Active	Not Active		All
	(N=3,372)	Retired (N=568)	Not Retired (N=911)	
Don't Know	25.0%	17.9%	19.8%	<b>23.2%</b>
At 70.5	17.6%	40.7%	27.2%	<b>22.2%</b>
60 to 64	20.9%	9.4%	17.0%	<b>18.8%</b>
66 to 70	15.7%	7.6%	17.6%	<b>15.1%</b>
At 65	9.8%	3.9%	10.2%	<b>9.2%</b>
55 to 59	8.3%	3.7%	4.2%	<b>7.0%</b>
I've already started withdrawals	0.7%	16.5%	2.1%	<b>2.8%</b>
Before I'm 55	2.0%	0.2%	1.8%	<b>1.7%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 13.3 Anticipated Age Non-Retirees to Withdraw Money from TSP Account by Age and Pay**

*At what age do you anticipate starting to withdraw money from your TSP account?*

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Don't Know	31.6%	21.8%	20.7%	33.1%	26.0%	18.1%	<b>23.8%</b>
At 70.5	10.3%	15.7%	26.8%	16.5%	13.6%	26.9%	<b>19.6%</b>
60 to 64	18.9%	23.7%	18.8%	16.4%	23.2%	18.4%	<b>20.1%</b>
66 to 70	10.3%	17.0%	18.9%	13.3%	14.5%	19.0%	<b>16.2%</b>
At 65	12.7%	10.0%	8.4%	8.0%	10.6%	10.0%	<b>9.9%</b>
55 to 59	10.5%	9.5%	4.6%	6.6%	9.3%	5.9%	<b>7.4%</b>
Already started withdrawals	0.7%	0.5%	1.4%	1.7%	1.1%	0.5%	<b>1.0%</b>
Before I'm 55	4.8%	1.8%	0.5%	4.5%	1.6%	1.2%	<b>1.9%</b>

Notes: Based on respondents who are not retired, N=4,283.

For employees who were previously employed with another organization and participated in a tax-deferred savings plan, the TSP permits individuals to transfer their funds from a prior eligible employer plan to their TSP account. When asked about whether or not they would be willing to do so, there are somewhat mixed views on what respondents would do (See Figures 14.1 and 14.2). Roughly one in five respondents indicates they would consider rolling another account into the TSP and 4 percent have actually done so. Conversely, over 13 percent would not consider doing so and 7 percent, who had the chance, rolled their funds from a previous employer to another account (not the TSP). In total, roughly the same number has or would consider rolling funds to the TSP as those who have not or would not consider doing so. Participants who have already transferred funds into the TSP or would consider doing so are more highly satisfied with the TSP. Conversely, participants who would not consider transferring funds or have already transferred funds to an account other than the TSP tend to be less highly satisfied with the TSP (See Figure 15). However, overall, most respondents either do not have funds in another account or are not sure what they would do.

**Fig. 14.1 Transferring Funds into TSP by Retirement System**

*Which of the following describes action you have taken or would consider taking regarding an account from another employer's 401(k) or from a traditional IRA?*

	<b>CSRS</b>	<b>FERS</b>	<b>Uniformed Services</b>	<b>All</b>
Not applicable (Never had a 401(k) or IRA)	53.0%	35.4%	26.4%	36.4%
Don't Know	22.0%	24.4%	21.3%	22.5%
I would consider rolling another account into my TSP account	10.6%	18.5%	23.3%	18.4%
I would not consider rolling another account into my TSP account	10.5%	8.6%	19.6%	13.6%
I have already rolled another account into another account (not TSP)	1.9%	9.1%	9.8%	7.5%
I have already rolled another account into my TSP account	2.6%	6.5%	2.9%	4.0%

*Notes: Based on active employees, N=3,372. Multiple responses allowed.*

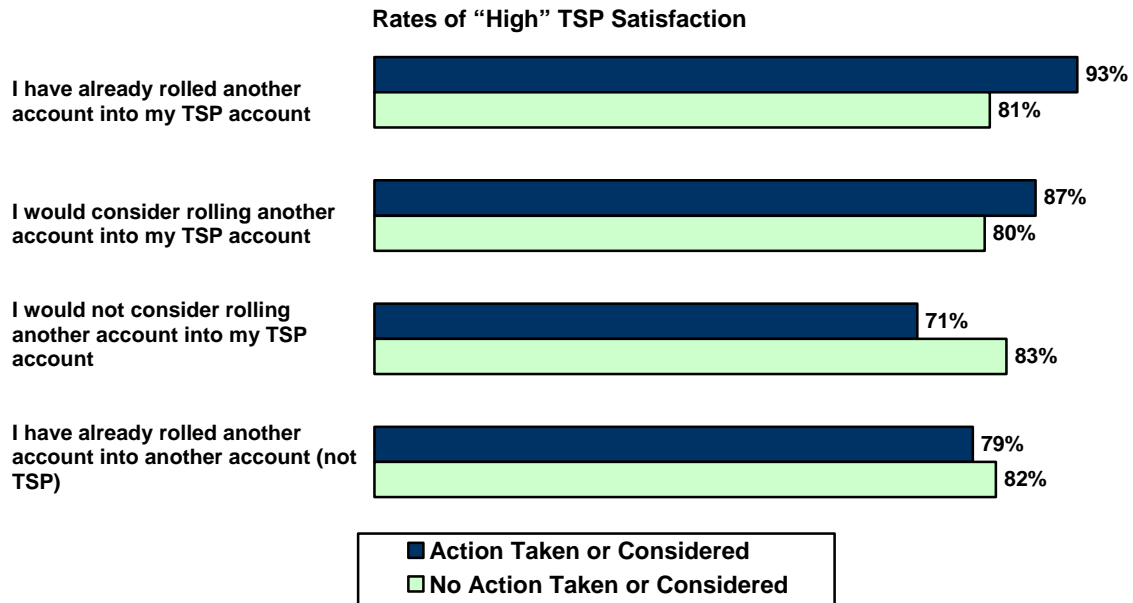
**Fig. 14.2 Transferring Funds into TSP by Age and Pay**

Which of the following describes action you have taken or would consider taking regarding an account from another employer's 401(k) or from a traditional IRA?

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Not applicable (Never had a 401(k) or IRA)	34.2%	30.3%	41.0%	32.8%	40.4%	33.6%	<b>36.4%</b>
Don't Know	21.2%	22.5%	23.2%	27.8%	23.9%	18.5%	<b>22.5%</b>
I would consider rolling another account into my TSP account	21.0%	23.0%	14.7%	20.0%	16.1%	20.5%	<b>18.4%</b>
I would not consider rolling another account into my TSP account	13.9%	15.1%	12.7%	10.4%	11.4%	17.5%	<b>13.6%</b>
I have already rolled another account into another account (not TSP)	8.1%	8.4%	6.7%	7.8%	6.7%	8.5%	<b>7.5%</b>
I have already rolled another account into my TSP account	4.3%	4.4%	3.6%	2.8%	4.2%	4.1%	<b>4.0%</b>

Notes: Based on active employees, N=3,372. Multiple responses allowed.

**Fig. 15 TSP Satisfaction by Actions Taken or Considered for Transferring Funds into TSP**



Notes: Based on active employees, N=3,372. Multiple responses allowed.



## **Part B: Savings and Contributions to the TSP**

### ***Level of TSP Participation***

All survey respondents currently have a TSP account with a non-zero balance. Employees in the Federal Employees' Retirement System (FERS) can make salary deferrals immediately after being hired. In addition, usually 6 to 12 months after they are hired by the Federal Government, they become eligible to receive a one percent non-matching contribution as well as matching contributions. Respondents to this survey include FERS participants who deferred a portion of their pay and also FERS participants who do not contribute but receive the Agency Automatic (1%) Contributions. Civil Service Retirement System (CSRS) and uniformed service participants can make salary deferral contributions immediately after being hired, but do not receive agency contributions.<sup>3</sup> As such, this survey includes only CSRS or uniformed service participants who have contributed a portion of their pay to the TSP at some point during their career.

TSP participants were asked whether they had contributed to the TSP over the last two years. The survey reflects a FERS employee participation rate of 93.2 percent (See Figures 16.1 to 16.3).<sup>4</sup> This rate is higher than the 87.1 percent reported by respondents of the 2006 survey. In part, this can be explained by the current respondents being slightly older with longer tenure than in the 2006 respondents – both factors are linked to higher participation. Also, participation rates among FERS participants are quite a bit higher than the average 401(k) plan, which typically has approximately three quarters of their employees contributing money to the plan at any one time.<sup>5</sup> However, it is important to note that the lowest FERS participation rates are for participants age 50 and

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<sup>3</sup> While there is a pilot program currently in place for a small group of U.S. Army members to receive matching agency contributions, none of these members participated in this survey.

<sup>4</sup> The participation rate is significantly higher among FERS survey respondents than all FERS employees. The all FERS participation rate is based on administrative records and reflects current contribution decisions, while the rate from this survey is based on whether or not respondents' contributed to the TSP at any point over the last two years.

<sup>5</sup> Average plan-weighted participation in the private sector is 74 percent and rates among large companies with over 5,000 employees are typically lower at 67 percent. See Vanguard, 2007. *How America Saves 2007, A Report on Vanguard 2006 Defined Contribution Plan Data.* [www.vanguardretirementresearch.com](http://www.vanguardretirementresearch.com).

older with pay less than \$40K, which likely represent the long-term and lower paid segment of the FERS workforce. But participation rates among the lower paid segment of FERS participants are significantly higher than in 2006 – rising by nearly 10 percentage points.

**Fig. 16.1 FERS TSP Participation Rates by Age and Gender**

*In the past two years, have you contributed to the TSP?*

	Less than Age 40	40s	Age 50 and Over	All
<b>All</b>				
2008	95.5%	94.2%	91.0%	<b>93.2%</b>
2006	90.0%	90.3%	82.7%	<b>87.1%</b>
<b>Males</b>				
2008	97.4%	94.6%	91.5%	<b>93.9%</b>
2006	93.1%	92.7%	81.0%	<b>87.4%</b>
<b>Females</b>				
2008	93.5%	93.8%	90.2%	<b>92.3%</b>
2006	87.2%	87.2%	85.5%	<b>86.6%</b>

Notes: Based on active FERS participants, N=1,072 in 2008 and N=1,203 in 2006.

**Fig. 16.2 FERS TSP Participation Rates by Pay and Gender**

*In the past two years, have you contributed to the TSP?*

	Pay Groups		
	Less than \$40K	\$40K to \$80K	\$80K and Over
<b>All-2008</b>	<b>87.4%</b>	<b>93.9%</b>	<b>95.6%</b>
All-2006	77.6%	89.5%	94.7%
All - Less than Age 40	87.1%	96.9%	100.0%
All -40s	90.5%	93.3%	97.7%
All -Age 50 and Over	85.4%	91.7%	92.6%
<b>Males-2008</b>	<b>89.3%</b>	<b>95.0%</b>	<b>94.2%</b>
Males-2006	78.3%	88.3%	94.3%
Males- Less than Age 40	90.5%	98.0%	100.0%
Males- 40s	93.8%	92.8%	98.0%
Males- Age 50 and Over	86.0%	93.8%	90.1%
<b>Females-2008</b>	<b>86.0%</b>	<b>92.7%</b>	<b>98.0%</b>
Females-2006	76.9%	91.1%	95.7%
Females-Less than Age 40	85.4%	95.7%	100.0%
Females-40s	88.5%	94.0%	97.2%
Females-Age 50 and Over	84.6%	88.9%	97.7%

Notes: Based on active FERS participants, N=1,072 in 2008 and N=1,203 in 2006.

**Fig. 16.3 FERS TSP Participation Rates by Age and Tenure**

*In the past two years, have you contributed to the TSP?*

	Tenure Group (Years)			
	Less than 2	2 to 5	5 to 15	15+
<b>All-2008</b>	<b>92.0%</b>	<b>92.6%</b>	<b>92.9%</b>	<b>94.5%</b>
All-2006	82.3%	84.2%	89.8%	90.0%
All-Less than Age 40	96.7%	95.8%	94.5%	100.0%
All-40s	89.1%	97.0%	93.7%	95.0%
All-Age 50 and Over	87.4%	84.1%	91.1%	93.9%
<b>Males-2008</b>	<b>94.9%</b>	<b>94.3%</b>	<b>93.0%</b>	<b>93.4%</b>
Males-2006	84.4%	84.4%	90.9%	88.4%
Males-Less than Age 40	96.8%	100.0%	95.9%	100.0%
Males-40s	100.0%	92.3%	92.9%	93.3%
Males-Age 50 and Over	90.7%	87.0%	91.0%	93.0%
<b>Females-2008</b>	<b>88.8%</b>	<b>91.0%</b>	<b>92.9%</b>	<b>96.5%</b>
Females-2006	80.0%	83.9%	88.5%	93.5%
Females-Less than Age 40	96.6%	91.9%	93.4%	-
Females-40s	80.8%	100.0%	94.6%	97.8%
Females-Age 50 and Over	82.9%	81.0%	91.1%	95.7%

Notes: Based on active FERS participants, N=1,072 in 2008 and N=1,203 in 2006.

Among non-contributors, the top reason participants cite for not currently contributing to the TSP is that they don't have enough money to do so (See Figures 17.1 to 17.3). This is potentially a sign of the times, as this response increased among all segments of the Federal workforce, especially among CSRS participants. CSRS respondents also cite they are saving in other ways as a reason for not participating in the TSP, and this is the top reason among uniformed service participants. Likewise, almost one in five participants of the uniformed services indicates the lack of matching contributions as the reason for not contributing to the TSP. Despite the economic conditions, only 6 percent cite hardship withdrawals that suspended their contributions as a reason for not contributing. This is a decline from nearly 8 percent in 2006. Similar to the previous findings, very few respondents indicate that the TSP is too complex or that they are unsure of how to sign up for the plan. However, any confusion about signing up or indication of plan complexity is almost exclusively linked to FERS participants. This is not surprising given that all CSRS and uniformed service respondents had previously signed up to contribute voluntarily to the plan.

**Fig. 17.1 Top Reasons for NOT Participating in the TSP by Retirement System**

*Why aren't you currently contributing to the TSP?*

	CSRS		FERS		Uniformed Services		All	
	2006	2008	2006	2008	2006	2008	2006	2008
<i>N=</i>	189	188	309	135	279	326	777	649
Don't have enough money	25.9%	34.6%	20.1%	24.4%	14.3%	15.6%	19.4%	<b>23.0%</b>
Saving in other ways	24.3%	29.3%	14.6%	11.9%	24.0%	23.0%	20.3%	<b>22.5%</b>
Member of Uniformed Services and don't get matching contributions	n/a	2.1%	n/a	0.0%	n/a	17.5%	n/a	<b>9.4%</b>
Hardship withdrawal	16.9%	11.7%	7.1%	8.1%	2.5%	1.8%	7.9%	<b>6.0%</b>
Can't access money before retirement	9.5%	4.8%	3.9%	4.4%	5.0%	6.1%	5.7%	<b>5.4%</b>
Not satisfied with investment options	4.8%	6.4%	1.9%	3.0%	6.1%	3.7%	4.1%	<b>4.3%</b>
Not sure how to sign up	0.5%	1.6%	11.0%	13.3%	0.7%	0.0%	4.8%	<b>3.2%</b>
Too complex	0.5%	1.1%	5.8%	6.7%	2.2%	0.9%	3.2%	<b>2.2%</b>
Already contributed the maximum	3.2%	0.5%	0.3%	0.0%	6.1%	2.1%	3.1%	<b>1.2%</b>
Not eligible to contribute	4.2%	0.0%	1.3%	0.7%	2.5%	1.2%	2.5%	<b>0.8%</b>
New employee and don't get matching contributions	0.0%	0.0%	3.6%	1.5%	0.7%	0.0%	1.7%	<b>0.3%</b>

*Notes: Includes active employees who are not currently contributing to the TSP. Participation is based on administrative records, since it reflects current contribution decisions, while the survey captures whether the respondent contributed over the last two years.*

**Fig. 17.2 Top Reasons for NOT Participating in the TSP by Age**

*Why aren't you currently contributing to the TSP?*

	Age			Pay		
	Less than Age 40	40s	Over Age 50	Less than \$40K	\$40K to \$80K	\$80K and Over
<i>N=</i>	192	140	307	95	276	265
Don't have enough money	18.2%	24.3%	25.7%	18.9%	29.3%	17.7%
Saving in other ways	19.3%	23.6%	24.1%	13.7%	20.7%	28.3%
Uniformed service member and don't get matching contributions	17.2%	12.1%	3.6%	3.2%	8.7%	12.1%
Hardship withdrawal	3.6%	3.6%	8.1%	4.2%	8.7%	3.4%
Can't access money before retirement	5.2%	4.3%	6.2%	7.4%	4.3%	6.0%
Not satisfied with investment options	4.7%	1.4%	5.5%	2.1%	3.3%	6.0%
Not sure how to sign up	2.1%	3.6%	3.9%	13.7%	2.2%	0.8%
Too complex	1.6%	2.1%	2.6%	5.3%	1.1%	1.9%
Already contributed the maximum	1.0%	1.4%	1.3%	1.1%	0.4%	1.9%
Not eligible to contribute	1.0%	0.7%	0.3%	2.1%	0.0%	1.1%
New employee and don't get matching contributions	0.0%	0.7%	0.3%	1.1%	0.0%	0.4%

*Notes: Includes active employees who are not currently contributing to the TSP. Participation is based on administrative records, since it reflects current contribution decisions, while the survey captures whether the respondent contributed over the last two years.*

**Fig. 17.3 Top Reasons for NOT Participating in the TSP by Education**  
*Why aren't you currently contributing to the TSP?*

	High School or Less	Some College	College Graduate or Some Grad	Graduate Degree
N=	68	189	204	165
Don't have enough money	27.9%	29.1%	22.5%	14.5%
Saving in other ways	20.6%	21.2%	23.0%	25.5%
Uniformed service member and don't get matching contributions	2.9%	8.5%	12.3%	10.9%
Hardship withdrawal	8.8%	8.5%	3.9%	1.8%
Can't access money before retirement	7.4%	6.3%	3.9%	6.1%
Not satisfied with investment options	1.5%	4.2%	6.4%	3.6%
Not sure how to sign up	4.4%	5.3%	2.5%	1.2%
Too complex	4.4%	2.6%	1.5%	1.8%
Already contributed the maximum	0.0%	1.1%	1.5%	1.8%
Not eligible to contribute	0.0%	0.5%	1.0%	1.2%
New employee and don't get matching contributions	1.5%	0.0%	0.5%	0.0%

*Notes: Includes active employees who are not currently contributing to the TSP. Participation is based on administrative records, since it reflects current contribution decisions, while the survey captures whether the respondent contributed over the last two years.*

Overall, respondents again report tax benefits and the convenience of payroll deductions as the top reasons for contributing to the TSP (See Figures 18.1 and 18.2). These percentages are significantly lower than in 2006. The percentage indicating tax benefits as a reason declined by nearly 14 percentage points compared to 2006 survey respondents, while the convenience of payroll deductions dropped by almost 7 percentage points. Conversely, respondents to this year's survey increasingly identified TSP participation as important in order for them to retire when they choose. This is particularly the case among FERS participants. Matching contributions is the top reason FERS participants contribute to the TSP – cited by more than 80 percent of respondents. Survey results indicate that word of mouth from co-workers or supervisors is not a major driver of employee participation.

**Fig. 18.1 Top Reason for Participating in the TSP by Retirement System**

Whether or not you are contributing to the TSP, which of the following are (or would be) your reasons for contributing to the TSP?

	CSRS		FERS		Uniformed Services		All	
	2006	2008	2006	2008	2006	2008	2006	2008
N=	1040	778	1266	997	1497	1230	3803	3005
Tax benefits	75.7%	59.1%	63.4%	55.5%	70.5%	54.2%	69.6%	<b>55.9%</b>
Convenience of payroll deductions	61.4%	55.3%	55.1%	49.7%	56.0%	48.7%	57.2%	<b>50.7%</b>
So I can retire when I want to	36.9%	41.8%	41.1%	52.9%	41.4%	47.2%	40.1%	<b>47.7%</b>
Matching contributions	10.8%	6.2%	85.4%	81.4%	34.1%	20.1%	44.8%	<b>36.8%</b>
Administrative costs are low	26.3%	21.6%	15.0%	17.8%	26.0%	20.7%	22.5%	<b>20.0%</b>
Co-worker/friend recommended	6.4%	5.4%	8.5%	7.5%	4.8%	4.7%	6.4%	<b>5.8%</b>
My supervisor recommended	0.9%	1.2%	3.4%	3.0%	3.5%	4.6%	2.7%	<b>3.2%</b>

Notes: Includes active employees of the Federal Government.

**Fig. 18.2 Top Reason for Participating in the TSP by Age and Pay**

Whether or not you are contributing to the TSP, which of the following are (or would be) your reasons for contributing to the TSP?

	Age			Pay		
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over
N=	836	730	1416	398	1367	1187
Tax benefits	44.3%	60.4%	60.8%	30.7%	48.9%	72.6%
Convenience of payroll deduction	47.1%	47.0%	55.2%	45.0%	51.1%	52.1%
Matching contributions	57.8%	51.1%	39.8%	48.0%	49.2%	45.7%
So I can retire when I want to	44.9%	41.0%	30.0%	40.7%	42.6%	28.6%
Administrative costs are low	17.2%	18.5%	22.6%	13.6%	15.3%	27.6%
Co-worker recommended	9.0%	4.5%	4.7%	11.3%	7.1%	2.5%
My supervisor recommended	7.1%	2.2%	1.4%	8.8%	3.4%	1.2%

Notes: Includes active employees of the Federal Government.

## ***Savings Rates in the TSP***

In a typical employer-sponsored savings plan like the TSP, employees are the primary source of funding and employer contributions play a secondary role. For CSRS and most uniformed service participants, however, employee contributions represent the only source of savings. As such, the level of participant contributions is a critical determinant of whether the plan will generate an adequate level of savings for retirement.

TSP survey respondents indicate saving on average 10.3 percent of their income (see Figures 19.1 to 19.3). The median participant contribution rate is 10.0 percent, meaning that half of participants are saving above this rate and half are saving below it.<sup>6</sup> Savings rates in 2008 are consistent with those reported from the prior survey. These contribution rates are over three percentage points higher than typical private sector savings plan contributions of 7 to 8 percent.<sup>7</sup> This finding can be partly explained by the comparatively older workforce within the Federal Government. **However, even after controlling for age and pay, TSP savings rates are still higher than those observed in the private sector.** However, it should be noted that savings rates represented by this survey are self-reported and exclude eligible employees who are not currently contributing to the TSP.

Average savings rates among FERS and CSRS participants are no different at 9.2%, although, there is a one percentage point difference between median saving rates (8.0% vs. 9.0%). It is important to note that nearly a third of FERS participants are contributing at the 5 percent of pay threshold, which is the rate at which FERS participants receive the maximum matching contributions. Similar to 2006, the survey found that the highest savings rates belong to participants of the uniformed services, who report savings rates almost 3 percentage points above FERS and CSRS participants and almost 5 percentage

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<sup>6</sup> These rates include additional catch-up contributions for employees age 50 and over. Participants who reach age 50 before the calendar year is over are permitted to make additional catch-up contribution on a pre-tax basis. In 2008, catch-up contributions limits were \$5,000.

<sup>7</sup> Vanguard, 2007. *How America Saves 2007, A Report on Vanguard 2006 Defined Contribution Plan Data.* [www.vanguardretirementresearch.com](http://www.vanguardretirementresearch.com).

points above the average participant in the private sector. However, the median rate is equal to the overall Federal employee rate of 10 percent, indicating that a disproportionate share of uniformed service members is contributing a very high percentage of their pay to the TSP. **In fact, nearly 15 percent of members of the uniformed services indicate contributing 15 percent of pay or higher to the TSP compared to 6.2 percent of FERS participants and 6.3 percent of CSRS participants.**<sup>8,9</sup>

**Fig. 19.1a TSP Average Participant Contribution Rates by Retirement System and Gender**  
*What percentage of your pay are you currently contributing to the TSP?*

	CSRS		FERS		Uniformed Services		All	
	2006	2008	2006	2008	2006	2008	2006	2008
Male	9.5%	9.3%	9.1%	9.4%	11.9%	11.7%	10.5%	<b>10.5%</b>
Female	8.7%	9%	8.8%	8.9%	11.6%	12.25	9.4%	<b>9.7%</b>
<b>All</b>	<b>9.1%</b>	<b>9.2%</b>	<b>9%</b>	<b>9.2%</b>	<b>11.9%</b>	<b>11.8%</b>	<b>10.2%</b>	<b>10.3%</b>

*Notes: Includes active employees of the Federal Government, who are currently contributing a portion of pay to the TSP, N=2,555 in 2008 and N=2,958 in 2006.*

**Fig. 19.1b TSP Average and Median Participant Contribution Rates by Retirement System and Gender**  
*What percentage of your pay are you currently contributing to the TSP?*

	CSRS		FERS		Uniformed Services		All	
	Average	Median	Average	Median	Average	Median	Average	Median
Male	9.3%	10.0%	9.4%	8.0%	11.7%	10.0%	<b>10.5%</b>	<b>10.0%</b>
Female	9.0%	8.5%	8.9%	7.6%	12.2	10.0%	<b>9.7%</b>	<b>9.5%</b>
<b>All</b>	<b>9.2%</b>	<b>9.0%</b>	<b>9.2%</b>	<b>8.0%</b>	<b>11.8</b>	<b>10.0%</b>	<b>10.3%</b>	<b>10.0%</b>

*Notes: Includes active employees of the Federal Government, who are currently contributing a portion of pay to the TSP, N=2,555.*

<sup>8</sup> In part, this can be attributed to the fact that members of the Uniformed Services may receive tax-exempt contributions which are not limited by IRS rules 402(g). Uniformed services participants may elect to contribute basic pay, incentive pay, or special pay (including bonus pay) to the TSP. They **must** contribute basic pay to be eligible to contribute incentive pay or special pay (including bonus pay). Contributions from all sources of pay are subject to the 402(g) limit, which restricted pre-tax contributions to \$15,500 in 2008. However, if any source of pay is received while the participant is in a combat zone or qualified hazardous duty area, it is received tax-exempt and the 402(g) limit no longer applies. Tax-exempt pay is only subject to the 415(c) limit. FERS and CSRS participants may only contribute from their basic pay, subject to the 402(g).

<sup>9</sup> Numbers not provided in the tables of the report.



**Fig. 19.2a TSP Average Estimated Participant Contribution Amount by Retirement System, Gender and Survey Year**

*What percentage of your pay are you currently contributing to the TSP?*

	CSRS		FERS		Uniformed Services		All	
	2006	2008	2006	2008	2006	2008	2006	2008
Male	\$8,558	\$8,618	\$6,271	\$6,846	\$9,019	\$9,029	\$8,084	<b>\$8,291</b>
Female	\$6,629	\$7,631	\$5,223	\$6,107	\$7,078	\$8,012	\$6,144	<b>\$7,017</b>
<b>All</b>	<b>\$7,869</b>	<b>\$8,216</b>	<b>\$5,824</b>	<b>\$6,539</b>	<b>\$8,612</b>	<b>\$8,824</b>	<b>\$7,413</b>	<b>\$7,867</b>

*Notes: Includes active employees of the Federal Government, who are currently contributing a portion of pay to the TSP, N=2,555 in 2008 and N=2,958 in 2006. Contribution amounts were derived using respondent's self-reported contribution rates at the time of the survey times the mid-point of their annual pay group. Dollar amounts could over- or under-estimate annual contributions, since actual deferral percentages can fluctuate throughout the year and given that annual pay is estimated based on participant's response to the survey.*

**Fig. 19.2b TSP Average and Median Estimated Participant Contribution Amount by Retirement System and Gender**

*What percentage of your pay are you currently contributing to the TSP?*

	CSRS		FERS		Uniformed Services		All	
	Average	Median	Average	Median	Average	Median	Average	Median
Male	\$8,618	\$7,000	\$6,846	\$5,000	\$9,029	\$7,000	<b>\$8,291</b>	<b>\$6,250</b>
Female	\$7,631	\$6,250	\$6,107	\$4,550	\$8,012	\$4,500	<b>\$7,017</b>	<b>\$5,000</b>
<b>All</b>	<b>\$8,216</b>	<b>\$6,500</b>	<b>\$6,539</b>	<b>\$5,000</b>	<b>\$8,824</b>	<b>\$6,300</b>	<b>\$7,867</b>	<b>\$6,000</b>

*Notes: Includes active employees of the Federal Government, who are currently contributing a portion of pay to the TSP, N=2,555. Contribution amounts were derived using respondent's self-reported contribution rates at the time of the survey times the mid-point of their annual pay group. Dollar amounts could over- or under-estimate annual contributions, since actual deferral percentages can fluctuate throughout the year and given that annual pay is estimated based on participant's response to the survey.*

**Fig. 19.3 TSP Average Participant Contribution Rates by Age, Pay and Tenure**

*What percentage of your pay are you currently contributing to the TSP?*

Tenure (Years)	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Less than 2	7.9%	7.4%	9.2%	7.7%	7.6%	10.3%	<b>8.2%</b>
2 to 5	9.8%	8.3%	8.4%	9.6%	9.0%	9.7%	<b>9.2%</b>
5 to 15	9.9%	10.7%	11.0%	10.6%	9.6%	11.6%	<b>10.3%</b>
15+	10.4%	10.4%	10.8%	11.6%	10.2%	11.1%	<b>10.7%</b>
<b>All</b>	<b>9.6%</b>	<b>10.1%</b>	<b>10.7%</b>	<b>10.0%</b>	<b>9.6%</b>	<b>11.0%</b>	<b>10.3%</b>

*Notes: Includes active employees of the Federal Government, who are currently contributing a portion of pay to the TSP, N=2,555.*

## Sources of Retirement Income

Retirees typically depend on multiple sources of income during retirement. TSP participants were asked to rank their top three expected sources of retirement income. In general, respondents consider each “leg of the stool” – Social Security, employer-sponsored retirement program and personal savings – to be important to their retirement security. However, they believe their Federal Government-sponsored retirement plans to be the most important (See Figures 20.1 to 20.3).

FERS participants underline many different sources of retirement income (See Figure 20.1). However, the TSP is mentioned by nearly one in four FERS participants as being the primary income source in retirement. In fact, more than two-thirds of FERS participants identify the TSP account as a “Top-3” important retirement resource, which is twice as high as the ranking given to the FERS annuity plan. FERS participants also view Social Security as a critical source of future retirement income.

*“TSP is useful as a saving/investment vehicle. However, in the short-term, I am glad that it is not my only source of retirement income.”*

**Fig. 20.1 Most Important Sources of Future Retirement Income for FERS Participants**

*Rank your TOP 3 most important expected sources of retirement income.*

	Ranking of Sources			% Mentioned	
	1st	2nd	3rd	2006	2008
TSP account	23.1%	24.9%	20.7%	67.1%	<b>68.7%</b>
Social Security	14.3%	23.3%	24.3%	62.9%	<b>61.9%</b>
Income from work	13.2%	5.1%	5.3%	23.6%	<b>23.5%</b>
Military pension	11.8%	3.7%	1.9%	18.2%	<b>17.5%</b>
FERS/CSRS annuity	11.1%	11.6%	10.1%	33.6%	<b>32.9%</b>
Personal savings (e.g. IRA)	7.6%	10.8%	12.8%	35.4%	<b>31.2%</b>
Other retirement plan (non-gov't)	6.7%	5.9%	5.3%	19.8%	<b>17.8%</b>
Home Equity	3.0%	3.9%	7.1%	16.1%	<b>14.1%</b>
Income from spouse's work	2.8%	4.4%	3.8%	n/a	<b>11.0%</b>
Survivor annuity	0.5%	0.5%	0.9%	n/a	<b>1.8%</b>

*Notes: Based on FERS respondents, N=1,292.*

It is not at all surprising that CSRS and uniformed services participants identify their respective annuity-based pensions most often as a critical source of future retirement income (See Figures 20.1 & 20.2). The CSRS annuity plan is mentioned by more than

two-thirds of CSRS participants as the most important source of future retirement income and in total, it is mentioned by more than three quarters as being among the top three sources. While nearly as many uniformed service members identify their military pension as critical (75 percent), only 43 percent highlight it as their top choice. Both CSRS participants and those in the uniformed services identify the TSP as a very important supplementary source of future income. Compared to other sources of retirement income, it is the second most mentioned income source for CSRS participants and third most for uniformed service members.

**Fig. 20.2 Most Important Sources of Future Retirement Income for CSRS Participants**

*Rank your TOP 3 most important expected sources of retirement income.*

	Ranking of Sources			% Mentioned	
	1st	2nd	3rd	2006	2008
FERS/CSRS annuity	69.0%	4.5%	2.9%	77.8%	76.4%
Income from work	14.6%	4.7%	4.5%	22.8%	23.8%
Home Equity	2.4%	3.7%	7.1%	16.3%	13.3%
Personal savings (e.g. IRA)	2.0%	16.5%	22.5%	41.5%	41.0%
Other retirement plan (non-gov't)	1.8%	3.1%	4.5%	9.4%	9.4%
Military pension	1.2%	3.7%	1.0%	5.7%	5.9%
Social Security	1.1%	11.2%	10.9%	23.0%	23.2%
Income from spouse's work	0.9%	8.7%	4.5%	n/a	14.1%
TSP account	0.7%	33.8%	27.8%	69.8%	62.3%
Survivor annuity	0.2%	1.1%	1.6%	n/a	2.9%

*Notes: Based on CSRS respondents, N=1,389.*

**Fig. 20.3 Most Important Sources of Future Retirement Income for Uniformed Service Members**

*Rank your TOP 3 most important expected sources of retirement income.*

	Ranking of Sources			% Mentioned	
	1st	2nd	3rd	2006	2008
Military pension	43.3%	19.8%	11.7%	73.8%	74.7%
Other retirement plan (non-gov't)	12.8%	9.9%	6.3%	31.3%	29.0%
Income from work	12.5%	7.1%	6.0%	22.4%	25.6%
Personal savings (e.g. IRA)	9.2%	18.4%	14.8%	46.4%	42.4%
TSP account	5.7%	14.2%	22.1%	47.4%	42.0%
FERS/CSRS annuity	5.4%	4.1%	2.2%	11.5%	11.6%
Social Security	3.0%	14.6%	23.8%	39.0%	41.4%
Home Equity	2.0%	2.7%	4.8%	10.4%	9.5%
Income from spouse's work	1.7%	3.8%	2.5%	-	8.0%
Survivor annuity	0.1%	0.2%	0.5%	-	0.8%

*Notes: Based on Uniformed Service respondents, 2,210.*

When combined into a single table, the relative importance of annuity plans and the TSP as a future source of retirement income to Federal employees and uniformed service

members becomes even more apparent (See Figure 19). It is clear that Federal employees and service members heavily rely on the Federal Government’s retirement program for a secure retirement. While not mentioned as often, personal savings and Social Security are also viewed as critical to a secure retirement. Finally, nearly one quarter of all Federal employees and uniformed service members expect to receive retirement income from work. This is consistent across respondents from the different retirement systems. Additionally, income from work did not change significantly from the 2006 survey, despite the current economic climate.

**Fig. 21 Sources of Future Retirement Income Mentioned as Top 3 Most Important by Retirement System**

*Rank your TOP 3 most important expected sources of retirement income.*

	<b>CSRS</b>	<b>FERS</b>	<b>Uniformed Services</b>	<b>All</b>
TSP account	62.3%	68.7%	42.0%	<b>54.8%</b>
Social Security	23.2%	61.9%	41.4%	<b>41.6%</b>
Military pension	5.9%	17.5%	74.7%	<b>40.1%</b>
Personal savings (e.g. IRA)	41.0%	31.2%	42.4%	<b>39.1%</b>
FERS/CSRS annuity	76.4%	32.9%	11.6%	<b>35.6%</b>
Income from work	23.8%	23.5%	25.6%	<b>24.6%</b>
Other retirement plan (non-gov't)	9.4%	17.8%	29.0%	<b>20.4%</b>
Home Equity	13.3%	14.1%	9.5%	<b>11.8%</b>
Income from spouse's work	14.1%	11.0%	8.0%	<b>10.5%</b>
Survivor annuity	2.9%	1.8%	0.8%	<b>1.7%</b>

*Notes: Based on all respondents, N=4,891.*

As shown above, personal savings is highly mentioned by Federal employees and uniformed services members as being important sources of retirement income. When asked about the types of accounts used to accumulate savings for retirement (other than their TSP account or annuity/pension plan), more than two in five mentioned owning stocks, mutual funds, or a brokerage account. More than a third of participants have an IRA – split evenly between a traditional and a Roth IRA – although CSRS participants are more inclined to have a traditional IRA, whereas uniformed services members are more likely to have a Roth IRA. This is likely an indication that CSRS tend to be older and be in a higher tax bracket than the younger members of the uniformed services. Of the respondents, about one in five Federal employees and uniformed service members have no other account. Not surprising, those that have an account other than the TSP is highly linked to older, higher paid employees with larger TSP account balances.

**Fig. 22.1 Accounts Used to Save for Retirement by Retirement System**

*If you have set aside money specifically for retirement, indicate the type of accounts where you have retirement savings.*

	CSRS	FERS	Uniformed Services	All
Mutual funds, stocks, bonds or brokerage accounts	40.7%	30.0%	49.0%	<b>41.6%</b>
Traditional IRA	37.4%	29.5%	39.7%	<b>36.4%</b>
Roth IRA	25.5%	25.2%	48.7%	<b>35.9%</b>
Bank/credit union account	35.8%	23.2%	27.5%	<b>28.7%</b>
Other employer's tax-deferred account	6.6%	16.8%	32.2%	<b>20.8%</b>
I have no other accounts	22.3%	28.9%	13.9%	<b>20.3%</b>
Other	11.8%	9.0%	10.0%	<b>10.2%</b>
Other employer's Roth 401(k)	1.1%	2.1%	4.6%	<b>2.9%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 22.2 Accounts Used to Save for Retirement by Age and Pay**

*If you have set aside money specifically for retirement, indicate the type of accounts where you have retirement savings.*

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Mutual funds, stocks, bonds or brokerage accounts	34.9%	42.9%	44.3%	27.8%	35.3%	55.0%	<b>41.6%</b>
Traditional IRA	18.6%	35.6%	44.5%	26.1%	28.1%	49.7%	<b>36.4%</b>
Roth IRA	41.8%	41.7%	31.1%	26.6%	32.0%	45.3%	<b>35.9%</b>
Bank/credit union account	21.6%	25.2%	33.6%	26.6%	27.7%	30.8%	<b>28.7%</b>
Other employer's tax-deferred account	24.4%	27.9%	16.3%	14.8%	17.7%	27.5%	<b>20.8%</b>
I have no other accounts	24.2%	19.9%	18.8%	28.3%	24.2%	12.6%	<b>20.3%</b>
Other	5.8%	9.8%	12.3%	10.2%	8.9%	11.9%	<b>10.2%</b>
Other employer's Roth 401(k)	4.2%	3.8%	2.0%	1.9%	3.1%	3.4%	<b>2.9%</b>

Notes: Based on all respondents, N=4,891.

**Fig. 22.3 Accounts Used to Save for Retirement by TSP Account Balance**

*If you have set aside money specifically for retirement, indicate the type of accounts where you have retirement savings.*

	TSP Account Balance					All
	Less than \$5K	\$5K to \$25K	\$25K to \$50K	\$50K to \$100K	\$100K and Over	
Mutual funds, stocks, bonds or brokerage accounts	30.9%	41.7%	43.9%	47.0%	53.4%	<b>41.6%</b>
Traditional IRA	26.1%	36.9%	36.4%	39.8%	51.6%	<b>36.4%</b>
Roth IRA	28.6%	40.1%	37.2%	37.0%	37.5%	<b>35.9%</b>
Bank/credit union account	21.6%	26.1%	33.0%	34.3%	36.7%	<b>28.7%</b>
Other employer's tax-deferred account	28.6%	27.7%	16.5%	9.8%	8.4%	<b>20.8%</b>
I have no other accounts	25.3%	19.3%	20.2%	18.1%	15.2%	<b>20.3%</b>
Other	9.5%	10.5%	10.4%	9.7%	11.7%	<b>10.2%</b>
Other employer's Roth 401(k)	3.5%	4.4%	2.8%	1.0%	1.2%	<b>2.9%</b>

Notes: Account balance is based on administrative records for all respondents, N=4,891.

## Retirement Goals and Expectations

Financial planners often recommend that employees strive for retirement income of at least 70 percent of their pre-retirement earnings. Many respondents report expectations that align very closely with this conventional wisdom. In fact, over one third of survey participants believe they will need more than 80 percent of their annual income in order to live comfortably in retirement (See Figure 23.1 and 23.2). This belief tends to be consistent across the three retirement systems.

**Fig. 23.1 Percentage of Pre-Retirement Income Required to Live Comfortably in Retirement by Retirement System**

*Approximately what percentage of your annual pre-retirement pay do you think you need to live comfortably when you retire?*

	CSRS	FERS	Uniformed Services	2006	2008
Less than 40%	3.6%	4.4%	3.3%	1.9%	3.7%
40 to 59%	13.0%	16.15	14.4%	15.4%	14.4%
60 to 79%	40.4%	30.8%	36.7%	36.4%	36.2%
80 to 99%	23.0%	20.2%	24.8%	22.4%	23.1%
100%+	10.3%	14.7%	12.6%	13.4%	12.5%
Don't Know	9.7%	13.75	8.3%	10.5%	10.1%

Notes: Based on all respondents, N=4,891.

**Fig. 23.2 Percentage of Pre-Retirement Income Required to Live Comfortably in Retirement by Age and Pay**

*Approximately what percentage of your annual pre-retirement pay do you think you need to live comfortably when you retire?*

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Less than 40%	2.2%	3.2%	4.5%	5.2%	3.8%	3.1%	3.7%
40 to 59%	12.8%	13.7%	15.5%	16.2%	14.6%	13.0%	14.4%
60 to 79%	30.1%	39.1%	37.6%	21.4%	36.4%	43.0%	36.2%
80 to 99%	22.5%	22.9%	23.7%	15.8%	21.2%	29.2%	23.1%
100%+	18.2%	12.9%	9.9%	19.9%	14.2%	7.7%	12.5%
Don't Know	14.3%	8.1%	8.9%	21.6%	10.0%	4.1%	10.1%

Notes: Based on all respondents, N=4,891.

Some, however, may be underestimating their income needs in retirement. Overall, about 18 percent believe they can retire comfortably on less than 60 percent of their pre-retirement annual income. Of greater concern, 10 percent of respondents cannot estimate how much income they will need in retirement. Taken together, more than a quarter of all

surveyed participants either believe they will need less income than what financial planners generally recommend or are unable to estimate their income needs. This is particularly a concern among participants age 50 and over, where nearly 29 percent fall into this group.

One question that remains hotly debated by academics and practitioners is whether the 70 percent pre-retirement income target will be sufficient given the imminent costs that will be borne by the America's retirement system as the Baby Boom Generation begins retiring. Results from EBRI's 2006 Retirement Confidence Survey show that over 50 percent of retirees believe they needed about the same or more than their pre-retirement income, which is significantly higher than current expectations of the Federal workforce and the uniformed services as reflected by the survey respondents.<sup>10</sup> It is very important for employees to set realistic expectations about their retirement income needs so they are not overly complacent about saving for retirement throughout their career.

For employees born in 1960 or later, normal retirement age under Social Security is 67. However, many Federal employees and members of the uniformed services plan to retire much sooner. Twenty-seven percent of TSP participants anticipate retiring by age 60 and another 32 percent plan to retire before age 65 (See Figure 24.1 and 24.2). Roughly a third of CSRS participants plan to enter full retirement in their fifties compared to one in five (20 percent) FERS participants. This means that the average CSRS participant anticipates a retirement period of more than 20 years; a significant share of CSRS participants, in fact, expect a retirement period approaching 25 years. It is important to note that CSRS participants are not covered under the Social Security program. Overall, expectations of the Federal workforce and the uniformed services about the length of retirement are longer than other employees. Results from EBRI's 2008 Retirement

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<sup>10</sup> See Ruth Helman, Mathew Greenwald & Associates, Craig Copeland, and Jack VanDerhei, 2006. "Will More of Us Be Working Forever? The 2006 Retirement Confidence Survey," EBRI Issue Brief No. 292, April.

Confidence Survey show that over 60 percent of employees plan to retire at age 65 and older. In fact, more than a third of employees plan to work past age 66 or never retire.<sup>11</sup>

**Fig. 24.1 Planned Retirement Age**

*At what age do you plan to retire from all full-time employment?*

	TSP Survey				2008
	CSRS	FERS	Uniformed Services	2006	
Younger than 55	1.9%	3.6%	6.0%	5.8%	<b>4.4%</b>
55 to 59	31.1%	16.4%	22.1%	28.1%	<b>22.7%</b>
60 to 61	12.8%	12.0%	13.3%	13.6%	<b>12.9%</b>
62 to 64	22.6%	20.2%	17.5%	17.0%	<b>19.4%</b>
65	9.1%	13.4%	16.9%	13.0%	<b>14.1%</b>
66 or older	20.9%	32.2%	21.3%	22.5%	<b>24.1%</b>
Never Retire	1.6%	2.2%	2.9%	-	<b>2.4%</b>

Notes: Excludes respondents who self-report as being already retired or Don't Know, N=3,818.

**Fig. 24.2 Planned Retirement Age by age and Pay**

*At what age do you plan to retire from all full-time employment?*

	Age			Pay			All
	Less than Age 40	40s	Age 50 and Over	Less than \$40K	\$40K to \$80K	\$80K and Over	
Younger than 55	9.8%	4.8%	1.3%	6.8%	4.0%	3.9%	<b>4.4%</b>
55 to 59	28.4%	28.3%	16.9%	17.3%	23.8%	23.4%	<b>22.7%</b>
60 to 61	16.9%	11.9%	11.6%	10.9%	14.5%	12.0%	<b>12.9%</b>
62 to 64	11.7%	17.6%	24.5%	16.2%	20.4%	19.8%	<b>19.4%</b>
65	14.7%	15.5%	12.7%	15.0%	13.4%	14.3%	<b>14.1%</b>
66 or older	16.1%	19.9%	30.5%	28.8%	21.8%	24.7%	<b>24.1%</b>
Never Retire	2.5%	2.0%	2.6%	5.1%	2.0%	2.0%	<b>2.4%</b>

Notes: Excludes respondents who self-report as being already retired or Don't Know, N=3,818.

For those who plan to retire younger – before age 60 – it appears the TSP account balance has a strong influence in shaping their expectations. For respondents in their forties, nearly half of respondents with a TSP account balance over \$50,000 plan to retire before age 60, while only about a quarter of those with smaller account balances (under \$25,000) see themselves exiting the workforce at that age (See Figure 25.1 and 25.2). Many respondents with low TSP account balances anticipate retiring much later.

<sup>11</sup> See Ruth Helman, Mathew Greenwald & Associates, Craig Copeland, and Jack VanDerhei, 2008. "Americans Much More Worried About Retirement, Health Costs a Big Concern? The 2008 Retirement Confidence Survey," EBRI Issue Brief No. 316, April.



**Fig. 25.1 Planned Retirement Age for Employees in their Forties**

	TSP Account Balance				
	Less than \$5K	\$5K to \$25K	\$25K to \$50K	\$50K to \$100K	\$100K and Over
Before 60	26.7	26.4	36.4	45.8	54.1
Between 60 & 65	28.7	31.4	29.3	26.4	29.7
65 and Older	44.6	42.2	34.3	27.8	16.2

Notes: Excludes respondents who self-report as being already retired or Don't Know, N=1,027.

**Fig. 25.2 Planned Retirement Age for Employees in their Fifties**

	TSP Account Balance				
	Less than \$5K	\$5K to \$25K	\$25K to \$50K	\$50K to \$100K	\$100K and Over
Before 60	21.7	21.3	35.1	38.3	37.3
Between 60 & 65	32.5	40.5	35.6	37.9	45.1
65 and Older	45.9	38.2	29.3	23.8	17.7

Notes: Excludes respondents who self-report as being already retired or Don't Know, N=1,073.

Working during retirement is a growing trend in the U.S. labor market. With the aging of the workforce and the potential for skills shortages with the retiring of the Baby Boom Generation, older employees have become more valuable to U.S. companies. In fact, America's largest corporations have developed formal programs such as phased retirement and flexible work arrangements – to appeal to an aging workforce and encourage longer working lives.

Federal employees and members of the uniformed services indicate a somewhat modest appetite for working after retiring from the Federal Government. Less than one third of respondents indicate a strong interest in working following retirement while another third indicate they are somewhat likely to work post-retirement. The final one third is indifferent or indicates that they were unlikely to work after retiring from the Federal Government.

**Fig. 26.1 Likelihood to Work after Retiring from the Federal Government by Retirement System**

Assume you continue to work for the Federal Government until you can retire. What is the likelihood that you will work for pay after you retire?

	CSRS	FERS	Uniformed Services	All
Very Likely to Work	27.7%	25.1%	36.1%	<b>30.3%</b>
Somewhat Likely to Work	29.6%	36.7%	38.8%	<b>35.7%</b>
Less Likely to Work	42.7%	38.2%	25.1%	<b>34.0%</b>

Notes: Includes Actives, N=3,372. *Very Likely to Work* includes those who respond “Very Likely” to work (1 out of 5) after retiring for the Federal Government. *Somewhat Likely to Work* includes those who respond “Somewhat Likely” to work (2 out of 5). *Less Likely to Work* includes those who respond “Neither Likely Nor Unlikely”, “Somewhat Unlikely” or “Very Unlikely” to work (3, 4, or 5 out of 5).

For Federal employees nearing retirement, expectations about working after retirement appear to be influenced by the amount of funds in their TSP accounts. However, this is not the case for participants who are over a decade away from retirement (see Figure 26.1). On average, participants who are less likely to work after retiring have nearly \$20,000 more in their TSP accounts than those who indicate a strong likelihood of working later in life. This finding may reflect both the need to work for financial reasons, as well as a desire to remain active. The difference in the average TSP account balances is likely not sufficient to make a significant difference in filling the income needs in retirement. It is unclear whether those with higher TSP account balances also have higher savings elsewhere.

**Fig. 26.2 TSP Account Balances and Likelihood to Work after Retiring from the Federal Government by Age**

Assume you continue to work for the Federal Government until you can retire. What is the likelihood that you will work for pay after you retire?

	Percent Responding	Age Group			All
		<40	40s	50+	
<b>Very Likely to Work</b>	30.3%	\$11,557	\$42,507	\$49,605	<b>\$37,570</b>
<b>Somewhat Likely to Work</b>	35.7%	\$9,713	\$38,801	\$60,655	<b>\$38,374</b>
<b>Less Likely to Work</b>	34.0%	\$13,369	\$40,951	\$72,659	<b>\$51,177</b>
<b>All</b>		<b>\$11,257</b>	<b>\$39,756</b>	<b>\$61,973</b>	<b>\$42,495</b>

Notes: Includes Actives, N=3,372. *Very Likely to Work* includes those who respond “Very Likely” to work (1 out of 5) after retiring for the Federal Government. *Somewhat Likely to Work* includes those who respond “Somewhat Likely” to work (2 out of 5). *Less Likely to Work* includes those who respond “Neither Likely Nor Unlikely”, “Somewhat Unlikely” or “Very Unlikely” to work (3, 4, or 5 out of 5).

## **Part C: Potential Changes to the TSP**

The FRTIB is considering changes to the TSP to help participants better prepare for retirement. In Section C of the survey we asked participants to respond to possible enhancements to TSP services that are under consideration based on their general assessment of whether these changes would help TSP participants. Most questions in this section included a “don’t know” response as an option for participants were unfamiliar with the changes proposed. The TSP is considering adding a Roth 401(k) option, either with or without making professional tax advice available and providing a self-directed mutual fund window option. Survey participants were also asked what actions they believed would lead to greater participation in the TSP.

### ***Adding a Roth 401(k) Option***

A majority of respondents favor adding an option to contribute to a Roth 401(k) account to the TSP program while very few respondents indicate the addition would not be an enhancement (56 percent favorable to 10 percent unfavorable). The strongest support for adding this option is among the uniformed services participants.

The primary advantage of a traditional 401(k) account is to allow participants to make pre-tax contributions during working years when income and tax rates are typically higher and to defer taxes until retirement years when expected income and tax rates will typically be lower. The Roth 401(k) feature requires making after-tax contributions but provides future tax advantages through tax-free growth and distributions. For many participants in the uniformed services, current income and tax rates may be as low as or lower than their expected future tax rates. For someone in this position, the advantage of the Roth 401(k) is substantial. In the civilian sector, the support for adding the Roth 401(k) is weaker (52 percent in the FERS and 48 percent in the CSRS). While there is not much opposition to the possibility of adding a Roth 401(k) feature (only 10 percent of respondents), 17 percent of all respondents said they don’t know whether the Roth 401(k)

feature would make the TSP better. Comparing these to responses in the 2006-07 survey, we see a 4 percentage point decline in the percentage of those people who think the TSP would be a better program if it added the Roth 401(k) option and a corresponding 5 percentage point increase in the proportion who said they didn't know.

**Fig. 27 Roth 401(k) Support by Retirement System**

*The TSP would be a better program if it provided an option to contribute to a Roth 401(k)*

<b>Retirement System</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Don't Know</b>
CSRS	48%	17%	11%	24%
FERS	52%	20%	11%	17%
Uniformed Services	63%	17%	8%	12%
All – 2006	60%	16%	11%	12%
<b>All– 2008</b>	<b>56%</b>	<b>18%</b>	<b>10%</b>	<b>17%</b>

There is a significant difference between saying that adding a service or investment option would make the program better than actually using it or being willing to pay for it. These differences are illustrated by Figure 29 below. While 56 percent of all respondents agreed the TSP would be a better program if it added the Roth 401(k) option, only 42 percent of respondents said they would contribute some or all of their contributions to one, compared to 18 percent who indicated they would not.

**Fig. 28 Potential Contributions to Roth 401(k) by Retirement System**

*I would contribute some or all of my contributions to a Roth 401(k).*

<b>Retirement System</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Don't Know</b>
CSRS	32%	16%	21%	32%
FERS	40%	19%	18%	23%
Uniformed Services	49%	19%	16%	16%
All	<b>42%</b>	<b>18%</b>	<b>18%</b>	<b>23%</b>

There is an apparent disconnect between respondents' preference for adding a Roth 401(k) feature to the TSP and their actual usage of existing Roth account benefits. Roth IRA's have been in existence since 1997. A participant in the TSP, or any similar

qualified retirement plan, may make Roth IRA contributions as long as their adjusted gross income (AGI) is below certain limits. The tax benefits offered through a Roth 401(k) account within the TSP would be substantially the same as those offered by the Roth IRA, except that there would not be an income limit. **While 56 percent of respondents prefer adding a Roth 401(k) account to the TSP, only 36 percent have established a Roth IRA account.** This differential may be partially explained by the income limitation imposed on the Roth IRA, but this is probably not the case for most participants.

To examine this issue, respondents were asked how they believed their current tax rate compared to their expected tax rate after they retire. Respondents were almost twice as likely to say they expected their tax rate to be lower at retirement than it is today than they were to say they expected it to be higher (39% vs. 20%). For these people, there is little or no tax advantage from a Roth 401(k) option.

**Fig. 29 Expected Tax Rate in Retirement**

*What level do you expect your tax rate to be after you retire in comparison to your tax rate today?*

<b>Response</b>	<b>% of respondents</b>
Higher than today	20%
Stay the same as today	19%
Lower than today	39%
I am already retired	9%
Don't Know	13%

It is interesting to review the attitudes towards the Roth 401(k) feature based on respondents' belief about their own tax rates. Sixty-three percent of respondents who expect their tax rate to be higher in retirement than it is today agree that the TSP would be a better program if it provided the Roth 401(k) option, compared to only 7 percent who disagreed. These participants could benefit substantially from such a change if their current income is too high to set up a Roth IRA. However, there is very little drop-off in the favorability among active employees who think their tax rate will stay the same or decline. The numbers are significantly lower amongst those who say they are already retired and those who do not know what their tax rate will be.

**Fig. 30 Roth 401(k) Support by Expected Tax Rate in Retirement**

*The TSP would be a better program if it provided an option to contribute to a Roth 401(k) – 2008 Survey*

<i>What level do you expect your tax rate to be after you retire in comparison to your tax rate today?</i>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Don't Know</b>
Higher than today	63%	17%	7%	12%
Stay the same as today	61%	17%	10%	12%
Lower than today	56%	19%	12%	13%
Don't Know	44%	19%	8%	30%
<b>All</b>	<b>56%</b>	<b>18%</b>	<b>10%</b>	<b>17%</b>

Of course, many people may support a change that will significantly benefit some of TSP participants even if they do not expect to benefit directly. Here we find that 54 percent of respondents who expect their tax rate in retirement to be above their current rate say they would take advantage of the tax benefits and make a contribution to a Roth 401(k) feature if it was available. This number declines to 44 percent for those who expect their tax rate to remain the same. For respondents who say they expect their tax rate when they retire to be lower than their current rate, there is a tax disadvantage to making contributions into a Roth 401(k) feature. Nevertheless, 43 percent of those respondents agreed they would contribute some of all of their contributions to a Roth 401(k) feature if it were available. This response is most likely attributable to their lack of complete knowledge of the tax disincentives for making that contribution. In addition, there may be confusion between the perceived advantages of the Roth 401(k) feature and other tax advantaged retirement accounts such as a 401(k). **This suggests that if the TSP adds a Roth 401(k) option, it should consider providing professional tax advisory services to help participants understand the tax implications of their investment decisions.**

*“Keep it simple. Investing is hard for a lot of people to understand. By limiting options and providing the L - funds, TSP is simple. Adding a Roth 401K could probably benefit some folks, just not me right now.”*

**Fig. 31 Potential Contributions to Roth 401(k) by Expected Tax Rate in Retirement**

14. What level do you expect your tax rate to be after you retire in comparison to your tax rate today?

		<i>I would contribute some or all of my contributions to a Roth 401(k).</i>			
<i>What level do you expect your tax rate to be after you retire in comparison to your tax rate today?</i>		<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Don't Know</b>
Higher than today		54%	20%	11%	16%
Stay the same as today		44%	18%	19%	19%
Lower than today		43%	18%	22%	18%
I am already retired		17%	16%	18%	49%
<b>Don't Know</b>		35%	19%	13%	33%
<b>All</b>		<b>42%</b>	<b>18%</b>	<b>18%</b>	<b>23%</b>

Some participants may be reluctant or unsure about contributing to a Roth 401(k) without professional advice on the tax implications of such an investment. Respondents recognize their need for professional tax advice as part of this decision-making process. Roughly half of all respondents indicated they would need professional advice before determining what contribution to make to a Roth 401(k), if any. This holds true in every retirement system.

**Fig. 32 Necessity of Professional Tax Advice to Evaluate a Roth 401(k) Option**

*I would need professional tax advice before determining what, if any, amount I should direct to a Roth 401(k) option.*

<b>Retirement System</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Don't Know</b>
CSRS	48%	17%	16%	19%
FERS	55%	17%	15%	13%
Uniformed Services	51%	21%	21%	8%
<b>All</b>	<b>51%</b>	<b>19%</b>	<b>18%</b>	<b>12%</b>

Another change under consideration would be making professional tax advice available at an additional cost. Thirty-five percent of respondents agreed that they would want the TSP to provide this service, compared to 30 percent who disagreed and an additional 13 percent who did not know. While there does not appear to be overwhelming support for adding tax advice services at this time, adding this as an optional service would address potential confusion that TSP participants may have about the different tax implications of the Roth 401(k) feature, compared to their current TSP account.

**Fig. 33 Professional Tax Advice Availability**

*If professional tax advice could be made available (at an additional cost), I would want the TSP to provide this service*

Retirement System	Agree	Neutral	Disagree	Don't Know
CSRS	32%	21%	28%	19%
FERS	38%	22%	27%	14%
Uniformed Services	34%	25%	32%	9%
<b>All</b>	<b>35%</b>	<b>23%</b>	<b>30%</b>	<b>13%</b>

### **Self-Directed Mutual Funds**

The TSP is also considering adding a self-directed mutual fund window. The new account option would be offered through a brokerage firm and allow participants to select from hundreds of publicly-traded mutual funds in addition to the TSP’s core investment options. Participants who elected to use this window would be subject to additional fees. In the 2006 TSP survey, 46 percent of respondents indicated the TSP would be a better system if it provided additional investment options. This support ranged from 36 percent in the CSRS system to 51 percent of respondents in the uniformed services.

**Fig. 34 Support for adding investment options by Retirement System – 2006 Survey.**

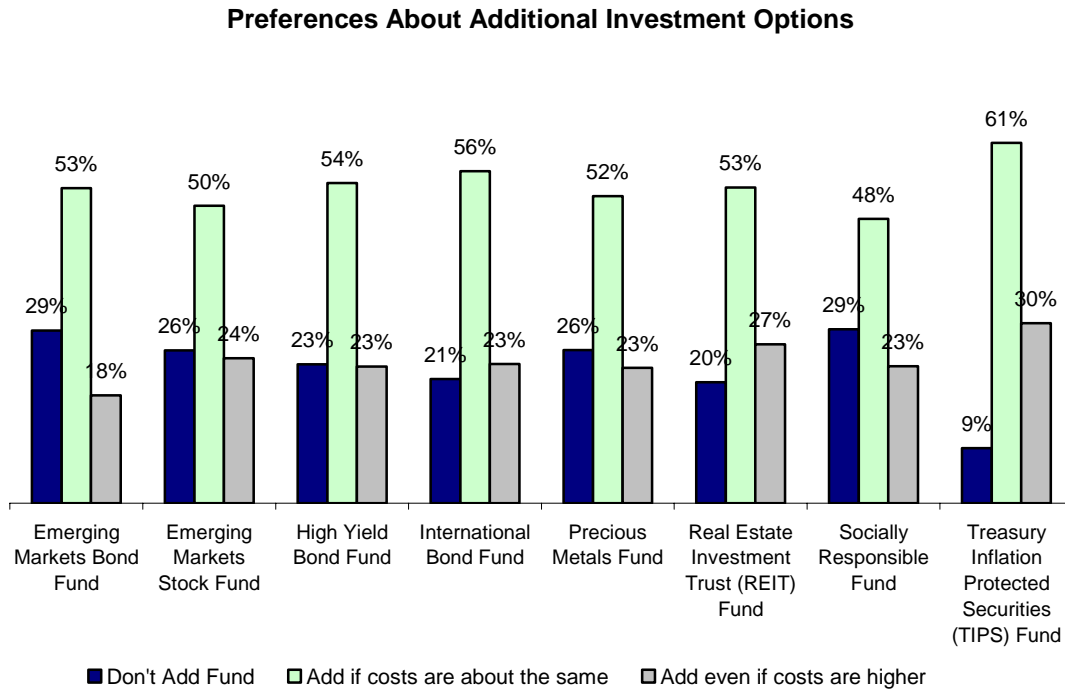
The TSP would be a better program if it offered a wider selection of investment options				
Retirement System	Agree	Neutral	Disagree	Don't Know/No Response
FERS	47%	26%	15%	12%
CSRS	38%	24%	22%	16%
Uniformed Services	51%	22%	19%	8%
<b>All Respondents</b>	<b>46%</b>	<b>24%</b>	<b>19%</b>	<b>12%</b>

Respondents were price sensitive to adding new options and **none of the additional investment options that participants were asked to rate had a majority of respondents who were willing to add the funds if there would be additional costs associated with utilizing those funds.** Nevertheless, there were between 18 and 30 percent of participants who indicated that the TSP should provide various investment options even if the costs were higher. Providing a self-directed mutual fund window



would allow these participants the option of investing in these types of funds and paying the additional costs, while avoiding the burdens and costs of adding individual funds to the core line up of TSP funds.

**Fig. 35 Support for adding New Investment Options for the TSP – 2006 Survey**



Thirty nine percent of all respondents indicated that this service would make the TSP a better program. This percentage across the retirement systems -- from a low of 29 percent of respondents in the CSRS to a high of 46 percent of respondents in the uniformed services system – never exceeded 50 percent of respondents from any system.

The potential take up or utilization of such an option is consistent with the findings in the 2006 survey. About 24 percent of all respondents said they would transfer some of their TSP account balance to a self-directed mutual fund window. The highest support was in the uniformed services where 30 percent of respondents indicated they would make such a transfer.

Once again, the need for professional advice appears to be a significant issue. Roughly half of all respondents in every retirement system agree they would need professional investment advice in order to use a self-directed mutual fund window. This kind of professional advice might be costly to provide. About 10 percent of respondents would be willing to pay \$100 per year from their TSP account in order to use a self-directed mutual fund window. There is very little variation across retirement systems on that point. Sixty percent of all respondents would not be willing to pay \$100 per year for this service, leaving 30 percent of respondents who might potentially be open to using this account option, if it were available.

**Fig. 36.1 Attitudes about adding a Self-Directed Mutual Fund Option – All respondents**

	Agree	Neutral	Disagree	Don't Know
The TSP would be a better program if it provided a self-directed mutual fund window.	39%	24%	19%	19%
I would transfer some of my TSP account balance to a self-directed mutual fund window.	24%	24%	30%	22%
I would need professional investment advice in order to use a self-directed mutual fund window.	50%	20%	19%	12%
I would be willing to pay an annual fee of \$100, charged against my account balance, in order to use a self-directed mutual fund window.	10%	16%	60%	14%

*“Great program. I like the idea of professionals’ advice and opening up to other investments stocks.”*

**Fig. 36.2 Support for a Self-Directed Mutual Fund Option by Retirement System**

	% Agree			
	CSRS	FERS	Uniformed Services	All
The TSP would be a better program if it provided a self-directed mutual fund window.	29%	36%	46%	<b>39%</b>
I would transfer some of my TSP account balance to a self-directed mutual fund window.	17%	22%	30%	<b>24%</b>
I would need professional investment advice in order to use a self-directed mutual fund window.	49%	54%	48%	<b>50%</b>
I would be willing to pay an annual fee of \$100, charged against my account balance, in order to use a self-directed mutual fund window.	9%	10%	11%	<b>10%</b>

## ***Improving Participation in the TSP***

One area of potential interest is to consider what changes might be made to the program that would encourage more employees to become contributors. The most commonly cited method would be to add immediate matching contributions for new employees or uniformed service members. This was cited by 69 percent of all respondents and 80 percent of uniformed service members. The next most common was automatic enrollment, cited by 51 percent of all respondents, followed by adding the Roth 401(k) feature (although at least some of this may be attributable to misunderstanding the tax implications of this option). Adding the self-directed mutual fund window which would greatly expand the investment options within the TSP is seen as having the least impact in attracting additional contributors. Ninety percent of respondents believe that with some modifications to the program, more employees would become contributors.

**Fig. 37 Potential Changes to Encourage More TSP Participation by Retirement System**

*Which of the following changes to the TSP do you think would encourage more employees to become contributors to the TSP?*

	<b>CSRS</b>	<b>FERS</b>	<b>Uniformed Services</b>	<b>All</b>
Add immediate matching contributions for new employees/uniformed service members	54%	66%	80%	<b>69%</b>
Enroll new employees/members automatically	55%	56%	46%	<b>51%</b>
Add Roth 401(k) option	43%	41%	47%	<b>44%</b>
Add self-directed mutual fund window option, which allows investments in mutual funds	22%	23%	26%	<b>24%</b>
Other	9%	9%	10%	<b>9%</b>
None of the above	9%	7%	4%	<b>6%</b>

### **Participant suggestions regarding the TSP:**

*“[Provide more] financial assistance to participants in planning long term for maximum retirement benefits”*

*“Concise choices, but don't have biggest winners to pick from during bull market. Nice to have G fund during bear market.”*

## ***Conclusion on Proposed Changes***

The overall findings from this section are consistent with the fact that TSP participants have a high level of overall satisfaction with the program and are generally more conservative in their investment strategies and price-sensitive when considering changes. There was a significant decline from 2006 in the percentage of respondents who support the addition of a Roth 401(k) option. *Some of the support for the Roth 401(k) option seems to be caused by misunderstanding the tax implications of this option, since many contributors indicated they would direct some or all of their TSP contributions into the Roth 401(k) if it became available even though it would be disadvantageous for them to do so based on their own assessment of their expected tax rate in retirement.*

In 2006, nearly half of all respondents indicated the TSP would be a better program if it provided additional investment options. When respondents were asked to evaluate specific investment options such as TIPS, REITs, or emerging markets funds, between 18 percent and 30 of respondents were willing to add these funds, even if they cost significantly more than the TSP's current investment funds. The self-directed mutual fund enhancement would address the desire of this segment of TSP participants by providing access to some or all of these options through the option of using a window at a brokerage firm. Almost two in five respondents (39%) indicated the TSP would be a better program if it provided this option and one in ten (10%) indicated they would be willing to pay an annual fee of \$100 to use this option.

## **Part D. Impact of Financial and Economic Situation on TSP Contributions and Investments**

In the fall of 2008, the US and other global markets witnessed substantial market losses as a result of a financial meltdown. The resulting credit crunch has contributed to, if not caused, what appears to be a global recession. Many employees in the private sector have either lost their jobs or have become concerned over the potential impact on their employment situation. Even those with relatively secure job prospects may be making significant adjustments to their retirement savings to adjust to the new market conditions (both the decline in value and the increase in volatility). In the short run, these changes may focus on more conservative saving and investment strategies for some, while those who see a substantial decrease in their household income may reduce or eliminate their savings or take hardship withdrawals. In the long-run, many people may have to alter their retirement plans – either working longer or living with less.

Survey participants were asked how the current financial situation was affecting them. While Federal employees or active members of the uniformed services may not face the same prospects of job loss as their private sector peers, they may face the same risks to household income from the job-loss of a spouse or other member of the household.

To date, participants have not taken very many actions. The most common change was to transfer some or all of their account balance into the more secure G Fund (19 percent of respondents have already taken this action and 16 percent are considering it) as well as changing investment allocations of new contributions (11 percent have already done so while 17 percent are considering it). Almost one third of respondents (23 percent) are considering talking to a financial advisor or have already done so.

Only seven percent of participants have already reduced their TSP contributions and only seven percent are considering doing so. Even fewer have stopped or are considering stopping their TSP contributions altogether. Nevertheless, there are some people who

are borrowing (4% have already done so and 5% are considering it) or withdrawing money from their accounts (3% and 5% respectively) as a response to the recent events.

**Fig. 38. Actions as a Result of Recent Market Conditions**

**Panel A: All Respondents**

<b>Actions</b>	<b>Already Taken Action</b>	<b>Considering Taking Action</b>	<b>No Action Expected</b>
Reduce my TSP contributions	7%	7%	86%
Stop my TSP contributions altogether	7%	4%	90%
Transfer all or some of my account balance to the G Fund	19%	16%	65%
Change my allocation for investing new contributions	11%	17%	72%
Borrow money from my TSP account	4%	5%	90%
Withdraw money from my TSP account (hardship/age-based withdrawal)	3%	5%	92%
I am separated/retired from service and I will withdraw some or all of my TSP account.	3%	9%	88%
Speak with a financial advisor	9%	23%	68%

**Panel B: CSRS**

<b>Actions</b>	<b>Already Taken Action</b>	<b>Considering Taking Action</b>	<b>No Action Expected</b>
Reduce my TSP contributions	7%	5%	88%
Stop my TSP contributions altogether	9%	3%	88%
Transfer all or some of my account balance to the G Fund	31%	17%	52%
Change my allocation for investing new contributions	14%	15%	71%
Borrow money from my TSP account	5%	5%	91%
Withdraw money from my TSP account (hardship/age-based withdrawal)	4%	5%	90%
I am separated/retired from service and I will withdraw some or all of my TSP account.	6%	11%	83%
Speak with a financial advisor	9%	19%	71%

### Panel C: FERS

<b>Actions</b>	<b>Already Taken Action</b>	<b>Considering Taking Action</b>	<b>No Action Expected</b>
Reduce my TSP contributions	6%	7%	87%
Stop my TSP contributions altogether	2%	4%	94%
Transfer all or some of my account balance to the G Fund	19%	15%	65%
Change my allocation for investing new contributions	12%	19%	69%
Borrow money from my TSP account	5%	7%	88%
Withdraw money from my TSP account (hardship/age-based withdrawal)	2%	6%	92%
I am separated/retired from service and I will withdraw some or all of my TSP account.	2%	5%	92%
Speak with a financial advisor	8%	26%	67%

### Panel D: Uniformed Services

<b>Actions</b>	<b>Already taken action</b>	<b>Considering taking action</b>	<b>No action expected</b>
Reduce my TSP contributions	7%	7%	85%
Stop my TSP contributions altogether	8%	4%	88%
Transfer all or some of my account balance to the G Fund	11%	15%	73%
Change my allocation for investing new contributions	9%	18%	73%
Borrow money from my TSP account	4%	5%	92%
Withdraw money from my TSP account (hardship/age-based withdrawal)	2%	4%	94%
I am separated/retired from service and I will withdraw some or all of my TSP account.	2%	10%	88%
Speak with a financial advisor	9%	25%	67%

## **In Summary**

Results from the 2008 TSP Participant Survey indicate that Federal employees and uniformed services members are highly satisfied with the features and quality of service provided by the TSP. Overall, 81 percent of participants were “very satisfied” or “satisfied” with the TSP and 75 percent indicated as much about the overall quality of services provided by the TSP. While these results dipped slightly compared to the 2006/2007 survey, this is likely attributed to the widespread uncertainty in the economy and financial markets, as the survey was administered in November 2008. The 2008 results reaffirm that the TSP is an important retirement security vehicle for Federal employees and uniformed service members.

The effects of market and economic turbulence on the survey results are difficult to pinpoint. However, the economy appears to be having a financial impact on Federal employees and uniformed services members, as respondents were more likely to report that they didn't have enough money to contribute to the TSP, compared to the 2006/2007 survey. Participants also reported a shift since the prior survey towards more conservative investment strategies. However, most participants had not as of November made major changes to their retirement savings patterns in response to the financial and economic situation. For the participants, who have taken action or have considered it, “putting more of their account balance into the G Fund” and “changing how they invest their new contributions” were the most frequently selected options.

The survey results also revealed participants’ reactions to potential enhancements to the TSP that are under consideration, namely adding a Roth 401(k) option and a self-directed mutual fund window. Slightly more than half of respondents prefer adding a Roth feature, but only a little more than a third have actually established a Roth IRA account. Many respondents indicated they would need professional advice on the tax implications of the Roth IRA before determining how much to invest in it, if at all. Nearly 40% of respondents support adding a self-directed mutual fund window, even if it costs



additional fees for participants electing to use the option. This closely aligns with results from the 2006/2007 survey, where participants indicated a strong interest in the TSP adding additional investment options, as long as the additional costs are reasonable. Ten percent of respondents in the current survey indicated they would be willing to pay an annual fee of \$100 to use the self-directed mutual fund window.

Given the importance that participants place on the TSP as critical to their retirement security, increasing participation in the TSP is of great interest. The most commonly cited enhancements to increase TSP participation by Federal employees and uniformed service members were automatic enrollment for new employees/members of the uniformed services and matching contributions for members of the uniformed services.

## Appendix A: Demographics

**Fig. A.1 Age Distribution by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
<i>N</i> =	1369	1276	2180	4963	4825
Less than Age 30	-	11.6%	12.0%	8.8%	8.6%
30 to 39	-	14.0%	22.8%	14.8	14.1%
40s	11.7%	25.2%	31.3%	26.2	24.1%
50 to 59	36.3%	23.7%	25.8%	29.2	28.2%
Age 60 and Over	51.6%	25.5%	8.2%	20.9	25.1%

**Fig. A.2 Percentage Male and Female by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
<i>N</i> =	1358	1256	2176	4917	4790
Male	59.9%	54.9%	81.1%	66%	68.2%
Female	40.1%	45.1%	18.9%	34%	31.8%

**Fig. A.3 Annual Pay Distribution by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
<i>N</i> =	1321	1244	2160	4840	4725
Less than \$40K	11.7%	22.2%	18.8%	21.9%	17.7%
\$40K to \$60K	26.3%	32.6%	19.0%	25.6	24.6%
\$60K to \$80K	20.0%	19.6%	18.0%	18.9	19.0%
\$80K to \$100K	18.5%	13.7%	16.0%	15.4	16.1%
\$100K and Over	23.5%	11.9%	28.3%	18.3	22.6%

**Fig. A.4 Percentage of Respondents Actively Employed by the Federal Government or Uniformed Services by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
Active					
<i>N</i> =	898	1118	1396	3,883	3412
%	64.7%	86.5%	63.2%	76.9%	69.8%
Retired (Q8.1)					
<i>N</i> =	381	111	116	470	608
%	27.4%	8.6%	5.3%	9.3%	12.4%

**Fig. A.5 Tenure Distribution by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
<i>N</i> =	1371	1274	2186	4985	4831
Less than 2	0.0%	22.3%	0.8%	5.9%	6.3%
2 to 4.9	0.0%	13.0%	6.8%	9.3%	6.5%
5 to 9.9	0.0%	20.4%	13.6%	11.4%	11.6%
10 to 14.9	0.4%	9.1%	11.8%	7.8%	7.8%
15 to 19.9	1.6%	7.8%	13.2%	10.6%	8.5%
20 to 24.9	4.0%	14.0%	22.4%	14.95	14.9%
25 to 29.9	27.9%	7.1%	15.6%	17.5%	16.9%
30+	65.9%	6.2%	15.8%	22.7%	27.5%

**Fig. A.6 Number of Different non-U.S. Government Employers Respondents Worked for by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
<i>N</i> =	1301	1223	2090	4707	4614
0	25.6%	15.9%	20.2%	19.0%	20.6%
1	24.8%	19.0%	25.6%	23.0	23.6%
2	20.5%	21.2%	20.1%	19.8	20.5%
3	12.8%	14.8%	12.4%	14.3	13.2%
4	6.0%	7.2%	7.0%	8.7	6.8%
5+	10.2%	21.9%	14.7%	15.2	15.3%

**Fig. A.7 Distribution of Education Groups by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
<i>N</i> =	1351	1258	2169	4887	4777
Some High School	0.7%	0.7%	0.1%	0.4%	0.4%
High School Graduate	12.9%	11.0%	4.6%	8.9%	8.6%
Some College	31.1%	25.2%	22.5%	27.2%	25.6%
College Graduate	27.5%	29.2%	24.4%	26.3%	26.5%
Some Advanced/Post-Graduate Education	10.0%	9.6%	11.2%	9.8%	10.4%
Advanced/Post-Graduate Degree	17.8%	24.2%	37.3%	27.5%	28.4%

**Fig. A.8 Distribution of Homeowner, Marital Status and Internet Access by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
Homeowner	93.9%	80.6%	81.6%	83.4%	<b>84.8%</b>
Married	71.1%	69.0%	77.3%	71.4%	<b>73.3%</b>
Married whose spouse is offered retirement plan	62.3%	60.5%	49.4%	57.6%	<b>55.7%</b>
Internet Access	85.7%	90.4%	96.3%	89.5%	<b>91.8%</b>
High-speed	85.7%	89.2%	94.7%	79.6%	<b>90.9%</b>
Dial-up	13.5%	9.9%	4.4%	20.5%	<b>8.2%</b>

**Fig. A.9 Internet at Work by Retirement System**

	CSRS	FERS	Uniformed Services	2006	2008
Internet access at work all the time	54.8%	64.6%	71.6%	66.1%	<b>65.1%</b>
Internet access at work on a limited basis	11.1%	17.1%	14.6%	15.4%	<b>14.3%</b>
No Internet access at work	34.1%	18.3%	13.8%	18.5%	<b>20.6%</b>

## **Appendix B: Survey Instrument**



## Thrift Savings Plan Participant Survey 2008

November 17, 2008

Dear TSP Participant:

I am pleased to inform you that you have been randomly selected to complete a confidential survey regarding the Thrift Savings Plan (TSP). By completing the survey, your thoughts and impressions will directly contribute to our efforts to continually improve the TSP.

This survey has been developed by an independent consulting firm in partnership with the Federal Retirement Thrift Investment Board. Your feedback will allow us to measure participant satisfaction with TSP plan features, services, and communications. The survey will also identify participant interest in new services and investment options. By improving our understanding of why participants join the TSP and make contributions, you will help us identify ways to increase TSP participation.

**Please complete the survey online by Wednesday, November 26, 2008, by using the web address listed at the bottom of this page; alternatively, you may complete this survey booklet and mail it in the enclosed pre-paid envelope by Wednesday, November 26, 2008.** The survey should take about 30 minutes to complete. We are eager to receive your feedback and study your and other participants' impressions of the TSP. Your feedback is extremely valuable, so I encourage you to participate in this survey. Please be assured that your individual responses to the survey will be kept strictly confidential. All responses will be collected and held in confidence by our independent consultant, Watson Wyatt Worldwide.

On behalf of the TSP and its participants who will benefit from your responses to this survey, I thank you in advance for your efforts.

Very Truly Yours,

Gregory T. Long  
Executive Director  
Federal Retirement Thrift Investment Board

**To complete your confidential survey online, please enter the following address into your web browser:**

<https://URL.TBD>

### PRIVACY ACT NOTICE

The Federal Retirement Thrift Investment Board is authorized to solicit this information under Section 8474 of the Federal Employees' Retirement System Act (Public Law 99-335). Your individual responses to the survey will be kept strictly confidential. Our staff and consultants will use the information to prepare summary statistical reports of all responses received. This information will help us improve our TSP communications and may lead to the introduction of new TSP features. Furnishing this information is voluntary.

*Continued on next page...*

# INSTRUCTIONS

We encourage you to submit your survey online by accessing the web address on the front of this booklet. If you complete this booklet instead, here are some tips to keep in mind:

- If you do not have an opinion on an item or it does not apply to you, select the "Don't Know / Not Applicable" response.
- There is a set of responses for most questions in the survey. To answer any question, simply mark the response that corresponds to your answer for that question by filling in the complete circle. **Please use a black ballpoint pen.**

Correct Mark          Incorrect Marks

- If you make a mistake, please cross out your response, and mark your preferred response.



## Part A: Please answer the following questions regarding retirement savings and your contributions to the Thrift Savings Plan (TSP).

### 1. In the past two years, have you contributed to the TSP?

- Yes
- No (Skip to question #4.)

### 2. What percentage of your pay are you currently contributing to the TSP? (Enter 0 if you are not contributing.)

\_\_\_\_\_ % of pay      OR      \$ \_\_\_\_\_ per pay period

Don't know

### 2b. If you are age 50 or above, do you also make catch-up contributions?

- Yes
- No

### 3. Which of the following are your reasons for contributing to the TSP? (Mark all that apply.)

- I'm not currently contributing. (Skip to question #4.)
- Tax benefits
- Matching contributions
- My supervisor/superior recommended that I do so.
- A co-worker/friend recommended that I do so.
- So I can retire when I want to.
- Administrative costs are low.
- Convenience of payroll deductions
- Other, please specify \_\_\_\_\_
- Don't know  
(Go to question #5)

### 4. Why aren't you currently contributing to the TSP? (Mark all that apply.)

- I am contributing to the TSP. (Skip to question #5.)
- I have already contributed the maximum amount allowed.
- The TSP is too complex.
- I don't have enough money to save right now.
- I'm saving in other ways.
- I can't access my money before I retire.
- I'm not satisfied with the investment options.
- I'm not sure how to sign up for the TSP.
- I'm not eligible to participate in the TSP.
- I'm a new employee, and I don't yet qualify for matching contributions.
- I am in the uniformed services and my contributions are not matched.
- My contributions were suspended because of my hardship withdrawal.
- I have already separated from service.



Less than 40% of my annual pay	40% to 59% of my annual pay	60% to 79% of my annual pay	80% to 99% of my annual pay	100% or more of my annual pay	Don't know
<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

5. Approximately what percentage of your annual pre-retirement pay do you think you will need in order to live comfortably when you retire? For example, if you think you will require half as much annual pay, please choose "40% to 59%," if you think you will require the same amount as you currently earn, choose "100% or more."

6. If you have set aside money specifically for retirement, indicate the type of accounts where you have retirement savings. DO NOT include your contributions to the TSP or your FERS/CSRS annuity or military pension. (Mark all that apply.)

- I have no other retirement savings accounts.
- Bank/credit union account (not including checking accounts)
- Traditional IRA
- Roth IRA
- Other employer's tax-deferred account (e.g. 401(k), 457(b), or 403(b))
- Other employer's Roth 401(k)
- Mutual funds, stocks, bonds, or brokerage accounts (not tax deferred)
- Other (Please specify.) \_\_\_\_\_

7. Rank your **TOP 3** most important expected sources of retirement income. Use a "1" to indicate the most important, a "2" to indicate the 2nd most important, and a "3" to indicate the 3rd most important source.

- \_\_\_\_\_ Home equity
- \_\_\_\_\_ Income from my work
- \_\_\_\_\_ Income from my spouse's work
- \_\_\_\_\_ Other retirement plan (not TSP) from a non-Federal employer
- \_\_\_\_\_ Personal savings (including IRA funds)
- \_\_\_\_\_ Social Security
- \_\_\_\_\_ FERS/CSRS annuity
- \_\_\_\_\_ Military pension
- \_\_\_\_\_ TSP account
- \_\_\_\_\_ Survivor annuity
- \_\_\_\_\_ Other (Please specify.) \_\_\_\_\_

8. At what age do you plan to retire from all full-time employment?

- I'm already retired. (Skip to question #12.)
- Younger than 55
- 55 to 59
- 60 to 61
- 62 to 64
- 65
- 66 or older
- Never retire
- Don't know

Continued on next page...





Indicate whether you agree/disagree with the following statements.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Don't Know/Not Applicable
9. I plan to stay with the Federal Government for at least the next two years. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. I plan to continue working for the Federal Government until I reach retirement age. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Very Likely	Somewhat Likely	Neither Likely Nor Unlikely	Somewhat Unlikely	Very Unlikely	Don't Know/ Not Applicable
11. Assume you continue to work for the Federal Government until you can retire. What is the likelihood you will work for pay after you retire?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. What do you plan to do with your TSP account balance when you separate from service, or what have you already done if you are currently separated from service? (Mark all that apply.)

- Leave it in the TSP until I need the money or am required to begin withdrawals at age 70½
- Take a single payment in cash
- Receive monthly payments from the TSP
- Purchase a TSP annuity
- Receive a combination of a single payment, monthly payments, and/or TSP annuity
- Roll over all or some of my account to an IRA
- Roll over all or some of my account to a 401(k) plan with another employer
- Don't know

13. At what age do you anticipate starting to withdraw money from your TSP account? (Select only one option.)

- I've already started withdrawals.
- Before I am 55
- 55 to 59
- 60-64
- 65
- 66-70
- 70½
- Don't know

14. What level do you expect your tax rate to be after you retire in comparison to your tax rate today?

- Higher than today
- Stay the same as today
- Lower than today
- I am already retired.
- Don't know

15. Which of the following describes actions you have taken or would consider taking regarding an account from another employer's 401(k) or from a traditional IRA? (Mark all that apply.)

- Not applicable (I have never had a 401(k) from another employer or traditional IRA account.)
- I have already rolled another account into my TSP account.
- I would consider rolling another account into my TSP account.
- I would not consider rolling another account into my TSP account.

If not, please specify. \_\_\_\_\_

- I have already rolled an account from another employer's 401(k) or traditional IRA into another account (but not my TSP account).
- Don't know

**Part B: The following questions are about the TSP benefits and services available to you.**

16. How often do you review your TSP account?

- At least monthly
- Quarterly
- Twice a year
- Annually
- Rarely
- Never

17. How do you usually access/receive your TSP account information? (Mark all that apply.)

- Online from work
- Online from home
- Receive quarterly paper statements
- Review annual participant statements
- Call the TSP ThriftLine
- I don't review it.

18. When was the last time you called the TSP ThriftLine and spoke to a telephone service representative?

- Within the last month
- Within the last 6 months
- Within the last year
- More than a year ago
- I have never called the ThriftLine.
- Don't know

19. How would you describe your approach for investing the money in your TSP account? (Mark one response only.)

- Very aggressive - High risk
- Somewhat aggressive - Moderate risk
- Balanced between aggressive and cautious
- Somewhat cautious - Low risk
- Very cautious - No risk
- Don't know/Not applicable

20. How did you determine where to invest your TSP money? (Mark all that apply.)

- Made no investment decision (kept my money in the G Fund)
- Selected an L Fund based on when I think I'll need my TSP funds
- Received advice from a financial professional
- Received advice from family/friends
- Received advice from co-workers
- Reviewed TSP Web site/publications
- Spoke with agency/uniformed services representative
- None of the above
- Other (Please specify.) \_\_\_\_\_

*Continued on next page...*



21. Indicate whether you agree/disagree with the following statements: (Select only one response per row.)

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Don't Know/Not Applicable
a. The information available about the TSP is helpful in explaining the benefits I receive from the plan. ....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. The information available about the TSP helps me make decisions about my TSP account. ....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. The information provided in the annual participant statement is helpful for understanding my TSP account and investment performance. ....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. It's easy to make changes to the way my TSP money is invested. ....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. It's easy to make changes to the amount of pay I contribute to the TSP. ....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Accessing my TSP account online is safe and secure. ...	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. In the past two years, the TSP has become a better program. ....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

22. How satisfied are you with each of the following characteristics of the TSP? (Select only one response per row.)

	Very Satisfied	Satisfied	Neither Satisfied Nor Dissatisfied	Dissatisfied	Very Dissatisfied	Don't Know/Not Applicable
a. Amount of agency/uniformed services matching contributions .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Waiting period required for a new FERS employee to become eligible for agency contributions .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Ability to borrow from my account while actively employed .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Ability to withdraw money from my account after separation from service .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Ability to access information about my account and general plan features on the TSP Web site .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Ability to access information about my account and general plan features through the automated TSP ThriftLine .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Quality of services provided by TSP telephone service representatives (ThriftLine) .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. Accuracy and timeliness of the processing of forms submitted to the TSP .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i. Overall quality of services provided by the TSP (i.e., web-based services, automated ThriftLine, and TSP telephone service representatives) .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**OVERALL SATISFACTION**

23. Overall satisfaction with the TSP .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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**Part C: The TSP is considering changes to help participants better prepare for retirement. As you respond to the following questions, please consider whether you believe these changes would benefit most TSP participants and improve the overall value of the program.**

24. The TSP is considering adding a **Roth 401(k)** option. Participants would be allowed to elect some or all of their future contributions to be made to the Roth option, which has different tax treatment from the traditional TSP account (i.e., it is an after-tax option that accumulates earnings tax-free as opposed to a pre-tax option that is tax deferred). The addition of a Roth 401(k) option may increase the complexity of the plan, as tax planning is an important consideration when electing the Roth option. It may also modestly increase the expenses that all participants pay. **Considering both the positive and negative aspects, indicate whether you agree or disagree with the following statements.** (Select only one response per row.)

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Don't Know
a. The TSP would be a better program if it provided an option to contribute to a Roth 401(k). .....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. I would contribute some or all of my contributions to a Roth 401(k). .....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. I would need professional tax advice before determining what, if any, amount I should direct to a Roth 401(k) option. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. If professional tax advice could be made available (at an additional cost), I would want the TSP to provide this service. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

25. The TSP is considering adding a **self-directed mutual fund window**. This new account option would be offered through a brokerage firm and allow participants to select from hundreds of publicly traded mutual funds in addition to the TSP's core investment options. Additional plan fees would be charged to TSP participants electing to use the self-directed mutual fund window, in addition to fees charged by the brokerage firm and mutual fund managers. **Considering both the positive and negative aspects, indicate whether you agree or disagree with the following statements.** (Select only one response per row.)

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Don't Know
a. The TSP would be a better program if it provided a self-directed mutual fund window. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. I would transfer some of my TSP account balance to a self-directed mutual fund window. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. I would need professional investment advice in order to use a self-directed mutual fund window. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. I would be willing to pay an annual fee of \$100, charged against my account balance, in order to use a self-directed mutual fund window. ....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

26. **Which of the following changes to the TSP do you think would encourage more employees to become contributors to the TSP?** (Mark all that apply.)

- Enroll new employees/members automatically
- Add self-directed mutual fund window option, which allows investments in mutual funds
- Add Roth 401(k) option
- Add immediate matching contributions for new employees/uniformed service members
- Other, please specify \_\_\_\_\_
- None of the above

*Continued on next page...*



27. Given the recent events in the economy and financial markets, which of the following actions have you taken or are considering taking regarding your TSP contributions or investments? (Select only one response per row.)

	Have already taken action	Considering taking action	No action expected
a. Reduce my TSP contributions .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Stop my TSP contributions altogether .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Transfer all or some of my account balance to the G Fund .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Change my allocation for investing new contributions .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Borrow money from my TSP account .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Withdraw money from my TSP account (hardship/age-based withdrawal) .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. I am separated/retired from service and I will withdraw some or all of my TSP account. ....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. Speak with a financial advisor .....	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

28. Please provide any comments or suggestions you have regarding the TSP.

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## Demographics

**1. Age**

- Under 30       40-49       60-69  
 30-39       50-59       70 or over

**2. Gender**

- Male       Female

**3. Annual Pay**

- Less than \$25,000       \$60,000 to \$80,000  
 \$25,000 to \$40,000       \$80,000 to \$100,000  
 \$40,000 to \$60,000       \$100,000+

**4. Highest Education Level**

- Some High School       Some Advanced/ Post-Graduate Education  
 High School Graduate  
 Some College       Advanced/ Post-Graduate Degree  
 College Graduate

**5. Homeowner**

- Yes       No

**6. Marital Status**

- Single       Married       Widowed

**6a. If you selected "Married," is your spouse offered a retirement benefit by his or her employer?**

- Yes       No

**7. Number of years employed by the Federal Government/uniformed services.** (Please round.)

\_\_\_\_\_ Years

**8. Number of different non-U.S. Government employers for which you have worked full time.**

\_\_\_\_\_

**9. Do you have Internet access from home?**

- Yes       No

**9a. If yes, is it high-speed or dial-up?**

- High-speed       Dial-up

**10. Do you have Internet access from work?**

- Yes, all the time  
 Yes, on a limited basis  
 No

**Thank you for your participation!**

