

The following is a PDF version of the email Dan Jamison of the FERSGUIDE sent to multiple individuals, including the Federal Retirement Thrift Investment Board, all federal news outlets, the Government Accountability Office, and elected officials, regarding the poor state of the new Thrift Savings Plan operations. Mr. Jamison has allowed me to repost this in its entirety, as it is an open letter.

An Open Letter to the Federal Retirement Thrift Investment Board

You have failed the over six million participants of the Thrift Savings Plan (TSP). The transition to a new recordkeeper, Accenture Federal Services (AFS), has been a complete failure. You should all be ashamed of your behavior and complacency, as we approach the one-year mark of this disaster. I eagerly await the results of the review by the U.S. Government Accountability Office. A quick tour of the Internet will identify dozens of news stories on this failure and social media is ablaze with horror stories.

By way of background, I believe that I have “standing” to call out the Board over this matter. I retired from federal service in 2013, after 21 years as a Special Agent Accountant for the FBI. I have been a duly-licensed CPA for over 33 years, licensed in Florida and Virginia. For over 25 years, I have authored the FERSGUIDE, which is the best-selling book on federal retirement benefits sold on Amazon. Over the course of my 25+ year career of working with federal employees and annuitants, I’ve enjoyed thousands of conversations with my clients, subscribers, and readers. Much of what I am sharing in this email comes from those interactions, as well as my personal observations. Of course, I am also a TSP participant (for now).

As a CPA, I have drafted hundreds of TSP Retirement Benefits Court Orders (RBCO) to divide a participant’s TSP account balance pursuant to divorce. AFS is operating its RBCO processing in violation of the Administrative Procedure Act, and imposing rules that are outside of the parameters allowed in the Code of Federal Regulations (CFR) – more on that later in this letter.

I know that several FOIA requests have been made to the FRTIB to obtain a copy of the FRTIB’s contract with AFS. The FRTIB continues to fail to provide a copy of the contract *with dollar amounts*. The contract copy located on the FRTIB’s website does not contain any information about the cost of the implementation. It’s amazing that the cost of an F-35B aircraft is not a secret, but the cost of the FRTIB’s AFS contract *is* a secret? What are you ashamed of? It’s not like it’s a trade secret and you have competitors that will profit from this knowledge. Tell all of us how much the FRTIB spent on this failure.

In the 25+ years I have been interacting with federal employees and annuitants, before the AFS project, I bet that I received fewer than a dozen issues/complaints. Under the AFS system, I received more than a dozen complaints on the first day of operations. The TSP opened for business in April 1987 and operated nearly trouble-free for 35 years before AFS ruined a perfectly good business model.

Attached to this email, you will find a PDF file (*FERSGUIDE SCE 2023 – Highlights for the FRTIB*) that contains pages 71-77 from my FERSGUIDE book, further detailing the Board’s failures at serving TSP participants. The attachment consists of section “3.3 Tell Me How Bad the Converge Project Is” and section “3.4 Tell Me How the TSP’s Fees Have Increased” from my book.

Specific Failure Points:

1) Access to the AFS System on Switchover

I was unable to verify my identity, despite having been a TSP participant for 30 years. I tried all of the online resources and had to finally just check the box to have a PIN mailed to me. Why? Because my first name in the system was just a single letter. Many readers shared this same issue. In fact, getting access to the AFS system was a huge issue for many participants. I understand this issue stands resolved, for the most part, but should have never happened.

2) Personal Profiles on Switchover

Once I was able to log in using the PIN that was mailed to me, I immediately saw that the TSP had me as single. I can assure the Board, I am married. Many of my readers experienced this same issue with an incorrect marital status. This affects withdrawals under the Spouse Equity Act - should have never happened.

3) Designation of Beneficiary

The new website indicated that I had no designation of beneficiary on file. This was another mistake, as I had my wife on my most-recent TSP-3 "Designation of Beneficiary" form. I had to add my wife as my beneficiary on the new website. I checked back a week later, and saw that she had been added as a person, but not as a beneficiary, so I had to start the process to add her again. I am now on my *fifth* attempt to add my wife as my primary beneficiary. My experience is not unique. This happened to a lot of folks and there was a great deal of press coverage in the federal news arena. Absolutely nothing went right for me.

4) Loss of Historical Data

It is simply beyond belief that 667 million historical statements were not transitioned to the new AFS system. I can't think of another system transition where ALL historical data has been wiped clean. In AFS' world, there was no TSP in existence prior to June 1, 2022. All AFS provides on the TSP website are year-end balances back to 2010. I'm not a systems engineer, but one thing that I DO know is that storage is relatively cheap, and gets cheaper every year. Hosting historical data is simply a storage issue. It's inexcusable that these statements are no longer available. Statistically speaking, about half of all marriages will end in divorce. Guess what ends up being divided in just about every divorce? The TSP account. When dividing the TSP, we have to examine the TSP balance on the date of marriage, to identify the premarital account balance. In most states, we also have to examine every statement during the marital period so that a current value can be placed on the premarital balance. In order to obtain these statements now, participants must call the ThriftLine and make a request. It is currently taking the TSP

about four months to satisfy these statement requests, which frequently delays settlement. Furthermore, when these statements arrive, they are very difficult to read. They have the appearance of a poor copy of a fax. The former TSP recordkeeper consistently provided multiple years of statements within one week of the request.

5) Fund Management Expenses

The total expense ratios shown below were taken directly from the TSP’s website.

Fund	G	F	C	S	I
2021	0.043%	0.058%	0.043%	0.059%	0.053%
2022	0.057%	0.078%	0.059%	0.090%	0.064%
Increase	0.014%	0.020%	0.016%	0.031%	0.011%
% Increase	32.56%	34.48%	37.21%	52.54%	20.75%

Historically, the TSP has touted its low expenses. That’s no longer the case. Look at the C fund. The most-recent total expense ratio for the C fund is 5.9 basis points. The same S&P 500 index fund at Fidelity has a cost of 1.5 basis points and at Charles Schwab, it’s 2.0 basis points. How can the FRTIB continue to tout low operational expenses in the literature? The C Funds’ cost burden is nearly triple that of Charles Schwab’s S&P 500 Index Fund (SWPPX) and almost FOUR times higher than Fidelity’s similar fund (FXAIX).

The total expense ratio for the S Fund increased by more than 50%! Unconscionable.

Onboard federal employees are held “prisoner” to these fees – they can’t leave the TSP. They have to participate in their “employer-sponsored plan.” The Board needs to return to the TSP’s beginnings, when it truly was a low-cost plan. The TSP is the largest defined-contribution plan in the world – how can the Board defend these high fees with the economy of scale that the TSP commands?

6) Horrible Account Statements with no Transactional Details

The new AFS-generated statements have ZERO transactional details. The old statements displayed each biweekly contribution, agency match, and agency contribution, shares purchased and share prices. To obtain that information now, you must go to the website and download the account activity. How ridiculous. That’s like receiving a bank statement that shows your beginning and ending balances for the month, but making you go to your bank’s website to see the transactions applied during the month.

Speaking of transactional details, when you use the TSP website to view historical share prices, those share prices are displayed out to two decimal places, but in actuality, they are carried out to four decimal

places on statements and internally. For example, the website provides a C-Fund share price of \$42.20 on 5/5/2020, but the actual share price for that date (taken from a statement) is \$42.1973. Why?

7) The Mutual Fund Window that “No one” Uses

One of the new products touted by the AFS system is the addition of a Mutual Fund Window (MFW). The fees for the MFW are staggeringly high. The annual “maintenance fee” just to have a MFW is \$150. The \$150 consists of a \$95 “annual maintenance fee” and a separate \$55 annual fee to offset the cost of the MFW, so that those who do not utilize the MFW are not impacted. The commission for each trade is \$28.75 within the same fund family and \$57.50 per trade between fund families. The people who desired the MFW were likely folks that wanted to be “all in” on non-TSP funds, but a TSP participant is limited to investing 25% of their account balance in the MFW. The high fee schedule is thwarting participation. The latest MFW metrics [November 2022] from the December 2022 FRTIB board meeting minutes indicate 2,449 MFWs funded/opened out of 6,746,865 accounts, or .036% of all TSP participants (that’s thirty-six thousandths of one percent). That number may grow, but I personally do not believe it will ever hit one percent. How many hundreds of thousands of participant dollars were thrown at the MFW?

From my 25+ years at this, I can tell you what TSP participants want more than anything. They want the ability to make a withdrawal and specify the fund(s) that should be sold to fund the withdrawal. The TSP’s own 2022 Gallup poll indicated that 89% of TSP participants desire the ability to specify from which investment funds should be withdrawn from. Simple as that. What do we get instead? An expensive MFW with a poor participation rate.

8) Incorrect 1099-Rs Mailed to Thousands of Participants

In late January 2023, the TSP mailed out 1099-R forms to participants who withdrew funds from the TSP. Since 2016, law-enforcement officers, firefighters and air-traffic controllers may make penalty-free TSP withdrawals, regardless of their age. This is not a new benefit – it’s been the law for six full years. AFS sent these persons 1099-Rs that indicated the withdrawal was an “early withdrawal – no known exception.” AFS has since sent out corrected 1099-Rs to these participants. As you know, any TSP participant who also had a withdrawal under the “old” system during 2022, received a 1099-R from the former recordkeeper. Those 1099-Rs from the old recordkeeper were properly coded. How hard can it be to simply review past procedures when establishing new ones?

9) Recent Inability to Change an Installment Withdrawal Payment Amount

In early 2023, participants learned that they were unable to change the amount of their installment withdrawal. The system was defaulting to life-expectancy rule withdrawal amounts. This issue was recently corrected, but, again – was any testing performed before AFS went live?

10) Inability to Determine a TSP Daily Account Balance Before June 2022

Despite being assured by a TSP executive that this is not the case, it is an accurate statement – the TSP has lost the ability to determine a TSP account balance on a particular date, if that date is before June 2022. The only account balances that the TSP can retrieve internally are quarter-end balances. Keep in mind, those quarter-end balances are not on the TSP's website – you must call the ThriftLine. That's only FOUR available balances per year. If the TSP receives a court order to divide a participant's account as to 50% of the account balance as of February 10, (for example), the payee will instead receive 50% of the account balance as of December 31, of the previous year, as that's the closest quarter-end balance. I can't make this stuff up. Now, when I encounter such an award in a settlement agreement, I have to acquire the quarterly statement and calculate the account balance on the desired date at an increased cost to my clients. As with the loss of historical statements, it's incomprehensible that the TSP has lost 35 years of account information.

11) AFS Doesn't Seem to Know How Withdrawals Work or that Compounding is Monthly

The website is full of errors. One page has a graphic depicting the effect of a 40-year-old making a \$15,000 withdrawal from her \$100,000 account balance. The graphic depicts a \$51,000 decrease in her account balance at retirement as a result of the withdrawal.

First of all, I said to myself, "I'll bet the \$51,000 is wrong." Sure enough - on my trusty HP-12C, \$15,000 at 5% for 25 years (compounded monthly) is \$52,220.36.

How did the TSP come up with \$51,000?

I know! I'll bet they didn't use monthly compounding and used 5% for 25 years, compounded annually. Sure enough, that's \$50,795.32, which certainly rounds to the \$51,000 in the graphic. TSP returns are compounded monthly.

I understand that the TSP is trying to get the message across that withdrawing from your TSP account will have a significant impact on the future, but look at what the graphic says - "A 40-year-old....". How does a 40-year-old participant make a \$15,000 withdrawal from the TSP at that age? The ONLY way that a 40-year-old participant can get money out of the TSP at that age is by borrowing it, making a hardship withdrawal, or meeting the IRS' definition of "disabled." I see nothing here to indicate a disabled person or a loan. Of course, a loan would have to be paid back into the account over the life of the loan, so it would have a much smaller effect on the balance. So, all we are left with is a hardship withdrawal. Withdrawing for college expenses does not meet the requirements of a TSP hardship withdrawal, so how DOES a 40-year-old make such a withdrawal? Even if this was inferred as a hardship withdrawal, where is the discussion of the 10% penalty imposed by the IRS?

The answer is "they can't," so why is this graphic on the website? It demonstrates that AFS does not know the TSP withdrawal rules or compounding process. The entire website is unintuitive and riddled with inconsistencies. It truly looks like a high-school class project. The "old" website was concise, intuitive and data rich.

12) Rogue Processing of Retirement Benefits Court Orders (RBCO)

I've drafted hundreds of RBCOs and I never experienced a single issue with the former TSP recordkeeper. Those RBCOs were processed in 60 days without any issues.

Enter AFS and Broadridge Processing, the new destination for RBCOs. Beginning in June 2022, RBCOs are now sent to the new processor, Broadridge Processing (Broadridge) in New Jersey. Broadridge and AFS have a strategic collaboration.

RBCOs are relatively simple court orders. The CFR section that governs RBCOs was not changed as part of the new CFR rules that were adopted when the new AFS system debuted.

[5 CFR 1653.2\(a\)\(3\)\(iv\)\(A\)](#) states:

"The following examples would qualify to require payment from the TSP, although ambiguous or conflicting language used elsewhere could cause the order to be rejected.

(A) Example 1. ORDERED: [payee's name, Social Security number (SSN), and address] is awarded \$_____ from the [civilian or uniformed services] Thrift Savings Plan account of [participant's name, account number or SSN, and address].

(B) Example 2. ORDERED: [payee's name, SSN, and address] is awarded _____ % of the [civilian and/or uniformed services] Thrift Savings Plan account[s] of [participant's name, account number or SSN, and address] as of [date]."

Pretty simple, right?

Well, AFS/Broadridge has taken it upon themselves to operate OUTSIDE of federal law. AFS/Broadridge isn't allowed to just "decide" that this is how they will process RBCOs. They must act within the USC and the CFR.

One of the first things that I noticed with my RBCOs under the new system is that they were rejected, citing that I did not provide the dates of birth for the participant and payee. First of all, the CFR does not provide for the collection of the date of birth. Second of all, it's a data point that is not needed (hence why it's not in the CFR) because there are no age-related penalties in the RBCO process. It doesn't matter what the age is of the payee or the participant. These are clear violations of the Administrative Procedure Act, and likely of the Paperwork Reduction Act.

Rather than "fight city hall," I began including the dates of birth in my RBCOs.

After that, I began receiving RBCO rejections because the RBCO did not state that the award was for a "marital property award" and because the RBCO did not state that it was drafted in accordance with "the domestic relations laws of the State of _____."

Following those rejections, I became aware of a publication on the TSP's website titled, "Retirement Benefits Court Order – Model Language Thrift Savings Plan November 2022": [I am aware of May 2022, June 2022, and November 2022, versions – there may be more out there.]

<https://qoc.rk.tsp.gov/qoc/b/StaticGlobalPdfContent.pdf?docName=TSP-RBCO-Model-Language.pdf>

Basically, the publication turns the RBCO into a Qualified Domestic Relations Order (QDRO). A QDRO is a court order stemming from ERISA law (Employee Retirement Income Security Act of 1974). The TSP and FERS are both governed solely by Title 5 of the United States Code and are not governed by ERISA. In

fact, if OPM's Court Ordered Benefits Branch receives a court order with the term "ERISA" in it, OPM will reject the order. The TSP has done just the opposite. They are forcing the RBCOs to read exactly like a QDRO. The document in the above link is akin to the practice of law by the TSP. Nowhere in the CFR will you find the authority for this document, nor the need for this document.

The second page of the document in the above link states:

"Note: A retirement benefits court order must meet the requirements found at 5 U.S.C. §§ 8435(c) and 8467, and 5 C.F.R. part 1653, subpart A. The Thrift Savings Plan will honor any court order or court approved property settlement agreement that meets these requirements. Use of the format below is not required."

I can assure you that this is not a true statement. I've had at least a dozen RBCOs rejected by AFS/Broadridge because they were not crafted in accordance with *their* document at the above link.

The bigger concern for the Board is that this document constitutes the practice of law by the TSP, with AFS/Broadridge as your agent. This document provides legal direction with regard to taxation, jurisdiction, death procedures, and constructive receipt. Note that this document states that the FRTIB is the plan administrator for the TSP, so this practice of law falls upon the Board. I suspect that Broadridge processes QDROs for other entities outside of the federal government and just pushed the QDRO process and language onto the RBCO process, which is improper, and in my opinion, illegal.

It also takes AFS/Broadridge at least FOUR months to process a RBCO.

Once the payment under a RBCO nears the payment stage, AFS/Broadridge is sending a document to the Payee that truly has nothing to do with the payment to the Payee. The document being sent is entitled, "Payment Rights Notice - Thrift Savings Plan" and consists of 13 pages. This is the document that should only be sent to a Participant. It has absolutely nothing to do with a Payee being awarded a portion of a Participant's TSP account balance. A Payee reading this document could quickly become confused. None of this applies to a Payee. Nothing matters about Age 59 ½, there are no hardship withdrawals, they can't purchase an annuity, or take a partial or life-expectancy withdrawal. None of the tax information applies - the TSP simply withholds 20% of any award payment made directly to a Payee.

Summary:

TSP participants only "gained" two new features from the AFS implementation. One is the ability to repay a loan after retirement, and the other is the overpriced MFW. All those millions of dollars, and functionally, only two new features. This entire "upgrade" looks more like a high-school project.

I've read every release of the Board's meeting minutes for the past few years. All that the Board seems to be concerned about is how long participants have to wait to speak to a call center representative. Guess what? If you didn't have any issues, then fewer people would seek assistance. Solve the problems and you will not need hundreds of additional call-center staff!

No one seems to care. I've attempted to engage two U.S. Representatives without luck, but the U.S. Government Accountability Office is currently conducting its review and hopes to wrap up fieldwork in May 2023.

I will attain the age of 59 ½ later this year, and will be transferring my TSP funds to a lower-cost and more-flexible custodian, as MANY others are also doing. Unfortunately, onboard employees are still at your mercy. As I state in my book, there is absolutely no reason for any participant who is age 59 ½ to remain at the TSP and be treated like this. I strongly advocate to anyone that will listen, to transfer their funds to an IRA.

The Board has lost its focus – please remember why you are here, and do right by the over six million participants that depend on you. As I stated in my book, “Go ahead, TSP, – sue me – it’s all true.”

This email was written by Dan Jamison, CPA. *If you are an elected official, GAO investigator or an FRTIB member, I'd love to hear from you at dan@fersguide.com.*

If you are a TSP participant with a "horror story," I'd love to hear from you at TSP@fersguide.com. I will not be able to respond to every email, but I will be collecting horror stories to share back with the GAO and elected officials.

*****Any person in possession of this email is encouraged to redistribute it, and its attachment, to their elected officials, contacts at federal news sites, agency personnel, co-workers and anyone that can help to bring pressure to the FRTIB to correct the deficiencies they created by hiring AFS. *****