Employee Benefits Security Administration

Performance Audit over the Thrift Savings Plan Annuity Process

August 10, 2026

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EXECUTIVE SUMMARY

Members of the Federal Retirement Thrift Investment Board
Washington, D.C.

Acting Chief Accountant
U.S. Department of Labor, Employee Benefits Security Administration
Washington, D.C.

As part of the U.S. Department of Labor Employee Benefits Security Administration (EBSA) Fiduciary Oversight Program, we conducted a performance audit of the Thrift Savings Plan (TSP) annuity process. Our fieldwork was performed remotely from January 29, 2026, through May 29, 2026, in coordination with personnel primarily from the Federal Retirement Thrift Investment Board's Staff (Agency) and MetLife, Inc. Retirement & Income Solutions segment (hereinafter referred to as the "annuity vendor"). Our scope period for testing was March 1, 2025, through February 28, 2026.

We conducted this performance audit in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the American Institute of Certified Public Accountants' (AICPA) *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. Criteria used for this audit are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes Title 5 of the United States Code (USC), Chapter 84 and Title 5 of the Code of Federal Regulations (CFR), Chapter VI.

The objectives of our audit over the TSP annuity process were to:

- Determine whether the Agency implemented certain procedures to (1) process annuity payments and payments to beneficiaries promptly and accurately; (2) provide the annuity options prescribed under the Federal Employees' Retirement System Act of 1986, as amended, (the Act) and applicable Agency regulations; (3) perform due diligence reviews of the annuity vendor's financial condition and evaluate the financial stability of the annuity vendor at the time of contract award and in subsequent years as prescribed under the Act;

- Test compliance of the Agency's operations with 5 USC Sections 8434 and 8435 (hereinafter referred to as FERSA), and 5 CFR Sections 1650.14, 1650.61, and 1651.2 (hereinafter referred to as Agency Federal Regulations); and

- Determine the status of the prior EBSA TSP open recommendations reported in the *Performance Audit of the Thrift Savings Plan Annuity Process,* dated July 24, 2020.

The scope of this engagement excluded testing of TSP withdrawal-related procedures performed prior to the purchase of an annuity.

The current engagement produced no new findings or recommendations.

Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period of March 1, 2025, through February 28, 2026, the Agency implemented certain procedures to (1) process annuity payments and payments to beneficiaries promptly and accurately; (2) provide the annuity options prescribed under the Act and applicable Agency regulations; (3) perform due diligence reviews of the annuity vendor's financial condition and evaluate the financial stability of the annuity vendor at the time of contract award and in subsequent years as prescribed under the Act. As a result of our compliance testing, we did not identify any instances of noncompliance with FERSA or Agency Federal Regulations.

We also reviewed three prior EBSA recommendations related to the Agency's TSP annuity operations to determine their current status. Section III.B documents the status of the prior recommendations. In summary, three recommendations have been implemented and closed.

The Agency's response to the draft report is included as an appendix within the report (Appendix A).

This performance audit did not constitute an audit of the TSP's financial statements or an attestation engagement as defined by *Government Auditing Standards* and the AICPA standards for attestation engagements. KPMG was not engaged to, and did not, render an opinion on the Agency's internal controls over financial reporting or over financial management systems. KPMG cautions that projecting the results of this audit to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

While we understand that this report may be used to make the results of our performance audit available to the public in accordance with *Government Auditing Standards*, this report is intended for the information and use of the U.S. Department of Labor Employee Benefits Security Administration, Members of the Federal Retirement Thrift Investment Board, and Agency management. The report is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

August 10, 2026

I. BACKGROUND OF THE TSP AND ANNUITY OPERATIONS

A. The Thrift Savings Plan

Public Law 99-335, the Federal Employees' Retirement System Act of 1986, as amended, (the Act) established the Thrift Savings Plan (TSP). The TSP is the basic component of the Federal Employees' Retirement System (FERS) and the Blended Retirement System, and provides a Federal (and, in certain cases, State) income tax deferral on employee contributions and related earnings. The TSP is available to Federal and Postal employees, members of the uniformed services, and members of Congress and certain Congressional employees. The TSP began accepting contributions on April 1, 1987, and as of February 28, 2026, had approximately $1.09 trillion in assets and approximately 7.3 million participants[1].

The Act established the Federal Retirement Thrift Investment Board (the Board) and the position of Executive Director. The Executive Director manages the TSP for its participants and beneficiaries. The Federal Retirement Thrift Investment Board's Staff (Agency) is responsible for administering TSP operations.

B. MetLife, Inc. Retirement and Income Solutions

The Board's Executive Director is required under the Act to purchase annuity contracts on behalf of separated participants who have elected this withdrawal option. Metropolitan Life Insurance Company (Metropolitan Life) has been contracted by the Agency to provide annuity services for the TSP. MetLife, Inc. Retirement & Income Solutions segment (hereinafter referred to as the "annuity vendor") is responsible for establishing the account record and for making monthly annuity payments to the annuitant or beneficiary, as applicable. The annuity vendor is required to provide each annuitant with annual tax information regarding his or her annuity.

The most recent annuity contract dated February 26, 2025, including applicable modifications, between the Agency and Metropolitan Life, specifies the following monthly and annual reports for the annuity vendor to submit to the Agency:

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[1] Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on March 24, 2026, posted on www.frtib.gov.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

The Agency reviews these reports to ensure that annuities are initiated and processed in accordance with the annuity contract and are in compliance with applicable regulations.

Operations at the annuity vendor are audited by:

- Deloitte & Touche LLP (MetLife Inc's independent auditors);
- MetLife Inc. Internal Audit Department (Internal Audit); and
- New York State Department of Financial Services (DFS).

As part of our performance audit, we reviewed Deloitte & Touche LLP's audit report on the annuity vendor's statutory financial statements and related notes for the fiscal year ended December 31, 2025. Additionally, we reviewed the Type II Statement on Standards for Attestation Engagements No. 18 (SSAE 18) reports, issued by Deloitte & Touche LLP, titled [redacted]

[redacted], for the period March 1, 2025 through February 28, 2026, and the related bridge letters for the period March 1, 2025 through December 31, 2025. No matters were noted during our review of these documents that would impact our conclusions on the performance audit objectives listed in Section II.A of this report.

[redacted]

The DFS examines all insurance companies registered in New York State. The DFS's examination focuses on market conduct, financial operations, contract compliance, and reserve analysis. The latest report, DFS's *Financial Condition Report on Examination of the Metropolitan Life Insurance Company* covering the period of January 1, 2019, through December 31, 2023, dated June 26, 2025, is outside the current scope period.

C. TSP Annuity Requirements[2]

Eligibility

All separated participants can elect to purchase an annuity if their TSP participant vested account balance is at least $3,500 when the annuity is purchased. If an installment, partial/total distribution, or annuity purchase is elected as a withdrawal option, the portion elected for the purchase of the annuity must equal at least $3,500 of the participant's vested account balance.

Spouses' Rights

FERS and Uniformed Service participants. For married FERS and uniformed service participants (even if the participant is separated from the spouse), the spouse is entitled to a survivor annuity unless he or she waives that right. The participant's spouse must provide signed,

[2] Source: *Distributions – Installments, Total and Partial Distributions, and Life Annuities*, TSP Booklet dated March 2025.

notarized consent if the participant elects an annuity other than a joint life annuity with a 50 percent survivor (spouse) benefit, level payments, and no other features. If a married participant is unable to locate his or her spouse or if exceptional circumstances make it impossible or inappropriate for the spouse to sign a waiver, the participant must request an exception from this requirement of the spouse benefit. To request an exception, the participant must complete Form TSP-16 (or Form TSP-U-16), *Exception to Spousal Requirements*, and provide supporting documentation as described on that form.

Civil Service Retirement System (CSRS) participants. For married CSRS participants (even if the participant is separated from the spouse), the TSP must send a notice to the participant's spouse before the withdrawal is processed. If a married CSRS participant cannot provide the spouse's address, the participant may provide the spouse's social security number and request an exception. To request an exception, the participant must complete Form TSP-16 and provide supporting documentation as described on that form.

All participants. If the Agency has received a valid court order that awards all or part of a TSP account to a current or former spouse (including a separated spouse) or a valid order that requires payment for enforcement of child support or alimony obligations, the annuity request will not be accepted until the court order has been settled.

D. TSP Annuity Options[3]

Several types of life annuities are available to TSP participants. Within the different types of life annuities, TSP participants can select among 18 different options.

The types of TSP life annuities include:

- Single life annuities, with level payments or increasing payments,
- Joint life annuities with spouse, with level payments or increasing payments, and
- Joint life annuities with other survivor, with level payments.

Exhibit I-1 summarizes the 18 annuity options available to TSP participants. These annuity options include (1) 50 percent survivor annuity, (2) 100 percent survivor annuity, (3) cash refund, and (4) 10-year certain annuity.

[3] Source: Thrift Savings Plan Annuities Fact Sheet, posted on tsp.gov as of October 2024.

Exhibit I-1

Summary of Annuity Options

Single Life

1. Level Payments
   a) with no additional features
   or
   b) with cash refund feature
   or
   c) with 10-year certain feature

2. Increasing Payments
   a) with no additional features
   or
   b) with cash refund feature
   or
   c) with 10-year certain feature

Joint Life with Spouse

3. Level Payments
   a) 100% survivor
   or
   b) 50% survivor
   or
   c) 100% survivor with cash refund
   or
   d) 50% survivor with cash refund

4. Increasing Payments
   a) 100% survivor
   or
   b) 50% survivor
   or
   c) 100% survivor with cash refund
   or
   d) 50% survivor with cash refund

Joint Life with Other Survivor

5. Level Payments
   a) 100% survivor
   or
   b) 50% survivor
   or
   c) 100% survivor with cash refund
   or
   d) 50% survivor with cash refund

The monthly annuity payment is affected by the following factors:

- The annuity option and feature chosen;
- The participant's age when the annuity is purchased (and the age of the spouse or other joint annuitant, if a joint life annuity is purchased);
- The amount used to purchase the annuity; and

- The interest rate index, annuity factor, interest adjustment factor, and annuity interest rate when the annuity is purchased.

The annuitant receives the first monthly payment approximately 30 days after purchase of the annuity. After purchasing an annuity, the annuitant is no longer a TSP participant for the funds used to purchase the annuity (i.e. a partial annuity purchase). The annuitant's further communications concerning his or her annuity will be with the annuity vendor.

E. TSP Annuity Process

Federal Agencies and Uniformed Services

When a TSP participant leaves the government or uniformed services, the participant's agency or service must inform the TSP that the participant has separated by submitting a TSP separation code and the date of separation. The participant's annuity request cannot be processed until the TSP has received all of the separation information.

TSP and the Agency

Similar to all other withdrawal requests, participants must process the transaction via My Account portal on the TSP website. A participant may also submit form TSP-99, *Withdrawal Request for Separated and Beneficiary Participants,* to the TSP. The transaction data is validated and the withdrawal request is approved.

If the withdrawal request is approved, it is automatically transmitted to the annuity vendor's system through an electronic interface. Additionally, an automated payment file is sent to Treasury and Treasury sends the transfer of funds, for the daily annuity purchases, to the annuity vendor.

The Agency also reviews reports submitted by the annuity vendor to ensure that annuity processing complies with TSP regulations and guidelines outlined in the annuity contract.

Annuity Vendor

Upon receipt of annuitant information from the TSP, the annuity vendor monitors and inputs certain variable information into the annuity system, which then calculates the monthly annuity payment for annuities purchased during that month.

Once annuity vendor staff receives a new annuitant [redacted] from the annuity system, the staff sends the TSP participant a "Welcome Letter," an annuity certificate, Banking Agreement for Direct Deposit of Annuity Payments, and the tax form W-4P for Federal tax withholdings. The Welcome Letter indicates the amount used to purchase the annuity (i.e., the amount received from the TSP), the calculated monthly annuity payment, and the approximate date on which the annuitant will receive the first annuity payment. The Welcome Letter also includes a toll-free telephone number that the participant can call to request changes to his/her address and federal and state tax withholding allowances, and for answers to other questions regarding his or her annuity. A participant can also log in to their online account to make changes to their data. The initial monthly annuity payment is sent to the individual approximately 30 days after the purchase of the annuity.

On an ongoing basis, the annuity vendor is responsible for paying timely monthly annuities, processing administrative changes such as addresses or beneficiaries, and communicating required tax information. The annuity vendor also adjusts monthly annuities on an annual basis for increases in the CPI (applicable to annuities with the increasing payments option) and for the death of joint annuitants.

The annuity vendor is responsible for calculating the monthly annuity interest rate used in the calculation of monthly annuity payments. [redacted] preceding the purchase of the annuity, as published by the U.S. Department of the Treasury, in accordance with the annuity contract. The annuity vendor calculates the annuity interest rate for each month of the year and communicates the monthly rate to the Agency.

The CPI factor, calculated annually by the annuity vendor, is confirmed by the Agency and is applicable to all increasing annuities on their anniversary (or "commencement") date in the upcoming calendar year for increasing payment annuities purchased prior to March 2020. [redacted]

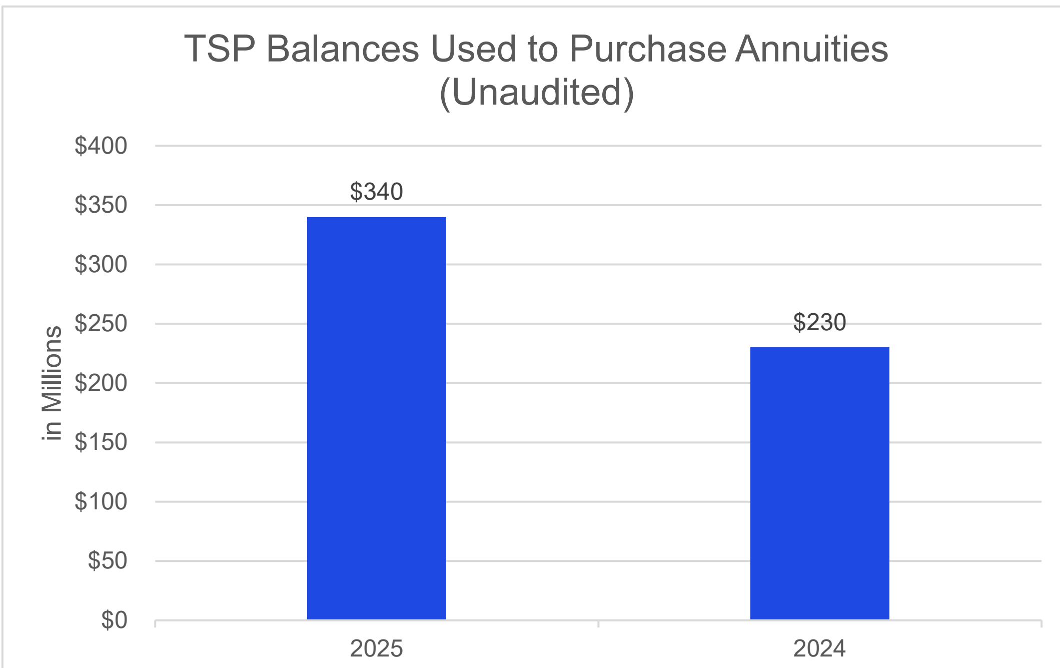
On a monthly basis, the annuity vendor reconciles the Agency's total disbursements to the annuity vendor's total annuity purchases to determine the completeness and accuracy of TSP purchases recorded in the annuity vendor's annuity system. The Agency reviews and verifies this reconciliation, notifying and discussing any differences identified with the annuity vendor.

As described in Section I.B, the annuity vendor prepares reports, on a monthly and annual basis, that summarize annuity purchases during the period. The annuity vendor sends these reports to the Agency, as required by the annuity contract.

F. TSP Annuity Statistics[4]

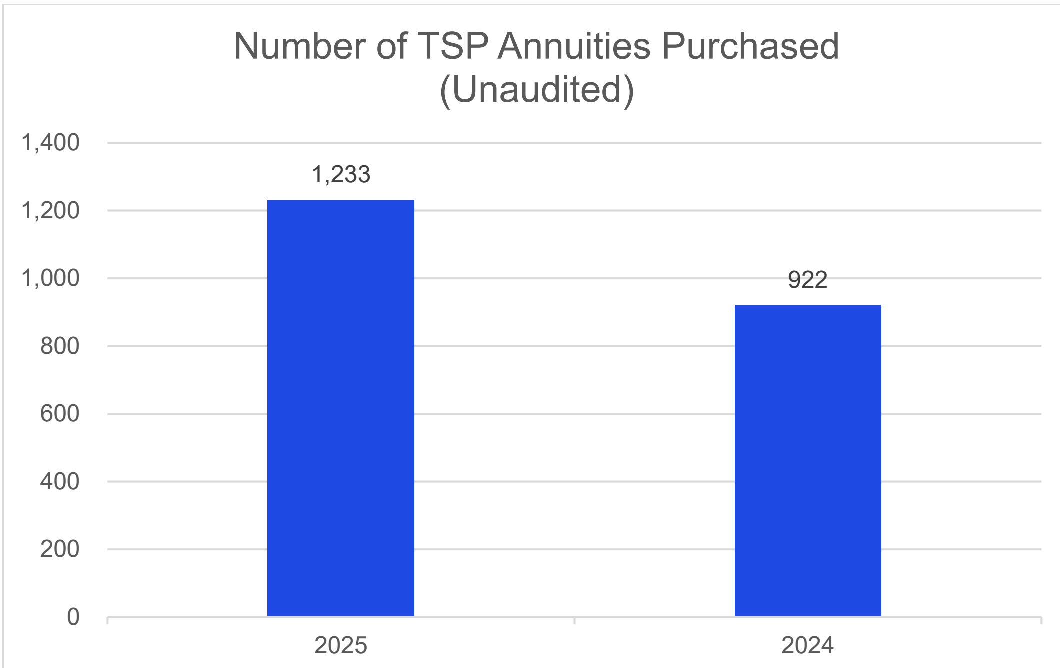
Exhibits I-2 and I-3, respectively, illustrate the original dollar amounts and the total number of annuities that were purchased for TSP participants in calendar years 2025 and 2024.

Exhibit I-2



[4] Source: [redacted]

Exhibit I-3


Number of TSP Annuities Purchased
(Unaudited)
1,400
1,200
1,000
800
600
400
200
0
1,233
922
2025
2024

II. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The U.S. Department of Labor Employee Benefits Security Administration (EBSA) engaged KPMG LLP (KPMG) to conduct a performance audit over the Thrift Savings Plan (TSP) annuity process.

The objectives of our audit over the TSP annuity process were to:

- Determine whether the Federal Retirement Thrift Investment Board's Staff (Agency) implemented certain procedures to (1) process annuity payments and payments to beneficiaries promptly and accurately; (2) provide the annuity options prescribed under the Federal Employees' Retirement System Act of 1986, as amended, (the Act) and applicable Agency regulations; (3) perform due diligence reviews of the annuity vendor's financial condition and evaluate the financial stability of the annuity vendor at the time of contract award and in subsequent years as prescribed under the Act;

- Test compliance of the Agency's operations with Title 5 of United States Code, Sections 8434 and 8435 (hereinafter referred to as FERSA), and Title 5 of the Code of Federal Regulations, Sections 1650.14, 1650.61, and 1651.2 (hereinafter referred to as Agency Federal Regulations); and

- Determine the status of the prior EBSA TSP open recommendations reported in the *Performance Audit of the Thrift Savings Plan Annuity Process,* dated July 24, 2020.

B. Scope and Methodology

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants' *Standards for Consulting Services*, using EBSA's *Thrift Savings Plan Fiduciary Oversight Program*. Our scope period for testing was March 1, 2025, through February 28, 2026. We performed the audit in four phases: (1) planning, (2) arranging for engagement with the Agency, (3) testing and interviewing, and (4) report writing.

During the planning phase, team members developed a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with the TSP annuity process. Arranging the engagement included contacting the Agency and MetLife, Inc. Retirement & Income Solutions segment (hereinafter referred to as the "annuity vendor") and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, participated in process walk-throughs, and designed and performed tests of controls. [redacted]

- [redacted]

- [redacted]

- [redacted]

We excluded from this audit the consideration of the TSP withdrawal-related procedures performed prior to the purchase of an annuity. These procedures are addressed separately within the overall EBSA *Thrift Savings Plan Fiduciary Oversight Program*.

We conducted these test procedures remotely in coordination with personnel primarily from the annuity vendor's location in [redacted]. Appendix B lists the key documentation and reports we reviewed during our performance audit. Because we used non-statistically determined sample sizes in our procedures, our results are applicable to the sample items we tested and were not extrapolated to the population.

Criteria used for this audit are defined in the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes Title 5 of the United States Code, Chapter 84 and Title 5 of the Code of Federal Regulations, Chapter VI.

The report writing phase entailed drafting a preliminary report, conducting an exit conference, providing a formal draft report to the Agency and the annuity vendor for comment, and preparing and issuing the final report.

III. FINDINGS AND RECOMMENDATIONS

A. Introduction

We performed procedures related to the Thrift Savings Plan (TSP) annuity process while remotely conducting a performance audit primarily related to activities at MetLife, Inc. Retirement & Income Solutions segment (hereinafter referred to as the "annuity vendor") and the Federal Retirement Thrift Investment Board (the Agency). Our scope period for testing was March 1, 2025, through February 28, 2026. This performance audit consisted of reviewing applicable policies and procedures and testing manual and automated processes and controls, which included interviewing key personnel, reviewing key reports and documentation (Appendix B), and observing selected procedures.

Based upon the performance audit procedures conducted and results obtained, we have met our audit objectives. We conclude for the period March 1, 2025 through February 28, 2026, the Agency implemented certain procedures to (1) process annuity payments and payments to beneficiaries promptly and accurately; (2) provide the annuity options prescribed under the Federal Employees' Retirement System Act of 1986, as amended, and applicable Agency regulations; (3) perform due diligence reviews of the annuity vendor's financial condition and evaluate the financial stability of the annuity vendor at the time of contract award and in subsequent years. As a result of our compliance testing, we did not identify any instances of noncompliance with Title 5 of the United States Code, Sections 8434 and 8435 or with Title 5 of the Code of Federal Regulations Sections 1650.14, 1650.61, and 1651.2.

We also reviewed three prior U.S. Department of Labor Employee Benefits Security Administration (EBSA) recommendations related to the TSP annuity operations process to determine their current status. Section III.B documents the status of the prior recommendations. In summary, the three recommendations have been implemented and closed.

We noted the current engagement produced no new findings or recommendations. The Agency's response to this report is included as Appendix A.

B. Findings and Recommendations from Prior Reports

The EBSA findings and recommendations from prior reports that required follow-up are presented in this section. The prior EBSA findings and recommendations considered significant within the context of the audit objectives of this performance audit were reported in the 2020 *Performance Audit of the Thrift Savings Plan Annuity Process*, dated July 24, 2020. The discussion below includes the current status of the prior recommendations.

2020 Annuity Process Recommendation No. 1

Title: Inaccurate Virginia State Withholdings Calculation

Original Recommendation: The Agency should work with the annuity vendor to develop and implement a process to verify the vendor's annuity system is updated annually to properly reflect the changes to the applicable tax codes, as needed.

Reason for Recommendation: The exception occurred because the annuity vendor did not update the Virginia state tax calculations in their system to reflect the 2019 updates to the tax code. As a result, the incorrect calculation was used in the annuity system to determine Virginia tax withholdings for [redacted] annuitants.

Status: **Implemented.**

We inspected the annuity vendor's [redacted], [redacted], and noted that policies and procedures were in place to identify updates to federal and state tax rates and make the applicable changes in the relevant systems so that tax withholdings were accurately calculated.

Additionally, we obtained and inspected evidence of the MetLife Tax Department communicating tax updates to the annuity vendor, and evidence of a subsequent tax update made within the [redacted] in accordance with the updated policies and procedures.

Lastly, we identified no instances in which the state withholdings were calculated incorrectly during our testing of a sample of [redacted] new annuitants. As a result, this recommendation is considered implemented and closed.

Disposition: **Recommendation Closed.**

2020 Annuity Process Recommendation No. 2

Title:	Untimely Monthly Annuity Payment
Original Recommendation:	The Agency should work with the annuity vendor to verify that policies and procedures are fully designed and implemented to monitor rejected monthly payments, investigate the reason for the returned payment, and timely repay the monthly payment manually to the annuitant.
Reason for Recommendation	The exception occurred because a change in the annuitant's bank information resulted in the rejection of the initial payment in July 2019; however, the annuity vendor did not have sufficient monitoring controls in place to ensure a subsequent payment of the rejected payment was made once the banking information was correctly updated in the vendor's annuity system the following month. As a result, the July 2019 rejected payment was not paid until February 2020, after it was brought to the attention of the annuity vendor through the audit.
Status:	**Implemented.** We inspected the Annuity Vendor's [redacted] document, [redacted], and noted that policies and procedures were implemented to promptly monitor rejected monthly payments, investigate the reason for the returned payment, and timely repay the monthly payment manually to the annuitant. We obtained and inspected documentation for a payment that was rejected and noted the annuity vendor appropriately followed the documented policies and procedures to release the hold on payments. Lastly, we did not identify any instances in which held or rejected payments were not appropriately addressed by the vendor in accordance with their updated policies during our compliance procedures. As a result, this recommendation is considered implemented and closed.
Disposition:	**Recommendation Closed.**

2020 Annuity Process Recommendation No. 3

Title:	Weakness in Annuity Vendor Address Information Update
Original Recommendation:	The Agency should work with the annuity vendor to verify that policies and procedures are developed and fully implemented over the review of updates to annuitant address information to ensure the completeness and accuracy of the change request.
Reason for Recommendation	During our testing of a sample of [redacted] new annuitants, we identified [redacted] instance in which the annuity vendor did not update completely the annuitant's monthly withholding state after the annuitant moved from a non-exempt state to an exempt state. When the annuity vendor processes an address change, they must update the address information in multiple places within the annuity vendor system. In this instance, the annuity vendor did not update the annuitant's address information in the portion of the annuity vendor system that calculates state withholdings each month.
Status:	**Implemented.** We inspected the Annuity Vendor's [redacted], [redacted], and noted that policies and procedures were developed and implemented to specifically monitor and review address change requests in the [redacted]. We also inspected a completed address change request and noted it was appropriately updated and reviewed in the [redacted] in accordance with the updated policies and procedures. As a result, this recommendation is considered implemented and closed.
Disposition:	**Recommendation Closed.**

Agency's Response

Thrift Savings Plan
Federal Retirement Thrift Investment Board

August 10, 2026

Mr. Marcus J. Aron
Acting Chief Accountant
Employee Benefits
Security Administration
United States Department of Labor
Suite 400
122 C Street, N.W.
Washington, D.C. 20001-2109

Dear Marcus:

This letter is in response to KPMG's email dated July 20, 2026, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit of the Annuity Process, dated August 2026.

Thank you once again for the constructive approach that the Department of Labor and its contractors are taking in conducting the various audits of the TSP. The information as a result of your reviews are useful to the continued improvement of the Thrift Savings Plan.

Very truly yours,

Ravindra Deo

Ravindra Deo

KEY DOCUMENTATION AND REPORTS REVIEWED

Federal Retirement Thrift Investment Board's Staff (Agency) Documents, Reports, and Sources

- [redacted]
- [redacted]

Agency Vendor Documents, Reports, and Sources

- [redacted]
- Various MetLife policy and procedure manuals, various 2025 dates
- [redacted]
- [redacted]
- "Consolidated Financial Statements for the Years Ended December 31, 2025 and 2024 and Independent Auditor's Reports of the Metropolitan Life Insurance Company," issued by the independent accounting firm of Deloitte & Touche LLP
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]