

SmartBenefits

Live smart, plan smart.



Annual Fee Disclosure Statement as of Dec. 31, 2015

Important Information About Investment Options, Fees and Other Expenses for the Thrift Plan for Employees of the Federal Reserve System

The Thrift Plan for Employees of the Federal Reserve System (Thrift Plan or Plan) is a great way to save for your future. It provides:

- **Convenience** — You make contributions through payroll deductions on a before-tax and/or after-tax basis.
- **Tax advantages** — Before-tax contributions reduce your taxable income and earnings on your contributions and your employer’s contributions grow tax-free until they are withdrawn.
- **Matching contributions** — The Federal Reserve matches a portion of your contributions.
- **Diversified investment lineup** — The Plan’s Committee on Investment Performance monitors investments, and you have a range of options that would generally only be available to large, institutional investors.

Choose a contribution rate and investments that will help you meet your long-term retirement goals. Use the tools on the SmartBenefits website (www.federalreservebenefits.org) to explore your savings and investment decisions.

WHAT’S INSIDE

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This statement highlights Thrift Plan fees and expenses, investment options and actions to take. Log on to the SmartBenefits website to review the *Your Thrift/Retirement Handbook*, accessible from several locations on the site – including the home page “Library” tile – for more information.

1. Fees and Expenses

When you invest in the Thrift Plan, there are no upfront sales loads, administrative fees or charges. However, there are certain asset-based fees that are used to pay investment manager expenses. These fees are charged directly to the investment options so you won’t see them. (See the charts in Section 3 of this statement for details.)

For a general example on how fees and expenses can substantially reduce the growth of one’s 401(k), visit the Department of Labor’s website at www.dol.gov/ebsa/publications/401k_employee.html.

When selecting your investment options, consider other factors such as asset class, investment risk, investment objectives, principal investment strategies and historical performance.

How Asset-Based Fees Work

Let’s assume your current account balance is \$30,000 and you’ve invested in three funds as shown below. Here’s an estimate of what you might pay over the course of a year in total asset-based fees (often called the expense ratio).

| Investment | Balance | Asset-Based Fees | |
|----------------------|-----------------|------------------|-----------------|
| | | As % of Assets | Dollar Amount |
| Bond | \$10,000 | 0.59% | \$ 59.00 |
| Large Cap Value | \$17,000 | 0.79% | \$134.30 |
| International Equity | \$ 3,000 | 0.98% | \$ 29.40 |
| Total | \$30,000 | — | \$222.70 |

Note: Asset-based fees accumulate daily, so your actual cost will vary as your account value changes.

Account Information

To view your Thrift Plan account balance, rates of return and investments, visit the SmartBenefits website (www.federalreservebenefits.org) and click on the “Thrift Plan” tile under “Your Information.” Once on this page, click on the “Thrift” drop down to print an account statement for a specific time period. Always review your account information carefully and report any discrepancies to the Federal Reserve Benefits Center immediately.

2. The Plan's Investment Options

As a participant, you can invest in any of the Plan's investment options. (See Section 3 of this statement for specific information on the Thrift Plan's Core Funds and Asset Allocation Funds.) You may change your investment elections as often as you like. Transfer restrictions are listed in Section 3.

Determine Your Investment Strategy

The way you invest should depend on your age, lifestyle, accumulated wealth, years until retirement and comfort level with risk. When you make decisions, be sure to consider your own circumstances, not just the information in this statement.

Learn About Investment Options

On the SmartBenefits website, you can learn more about the Thrift Plan's investment options, fees and performance. For other fund information or to request printed copies of the online material, call the Federal Reserve Benefits Center at **877-377-2255**, 8 a.m.-6 p.m. Eastern time, Monday through Friday.

You can access or request the following:

- *Thrift Plan Investment Options Guide*.
- Financial statements or reports, such as statements of additional information, shareholder reports and similar fund materials (to the extent these materials are provided to the Plan).
- Value of a share or unit of each fund and the date of the valuation.
- Assets contained in each fund's portfolio.

To Enroll or Change Your Investments

You may enroll in the Thrift Plan or change your investments at any time, subject to the applicable transfer restrictions. Visit the SmartBenefits website (www.federalreservebenefits.org) and click on the "Thrift Plan" tile under "Your Information." From there, click on the "Thrift" drop down and follow these steps to:

- **Enroll** – Click on "Start Saving."
- **Change your contribution rate** – Click on "Contributions" > "Change" and follow the instructions.
- **Change your investment mix for contributions from now on or move money between funds** – Click on "Change Investments" and follow the instructions.

If you don't have online access, call the Federal Reserve Benefits Center at **877-377-2255**, 8 a.m.-6 p.m. Eastern time, Monday through Friday. If you are hearing-impaired, dial 711 to obtain your state's number for TTY/TDD access. To access your account, you'll need your user ID and password.

3. Investment-Related Information

This section provides information about investment options with a variable rate of return, including:

- General information about the type of investment option.
- Fee information, including asset-based fees plus other shareholder-type fees or investment restrictions.
- Historical performance for the fund and an appropriate benchmark for the same period of time.

Keep in mind that past performance does not guarantee how the investment option will perform in the future. Your investments in these funds could lose principal. Details about an option's risks are available on the SmartBenefits website.

For More Information

For more information about this statement, call the Federal Reserve Benefits Center at **877-377-2255** or contact the Plan Administrator at:

The Committee on Plan Administration
Federal Reserve Employee Benefits System
The Legal Center at 1 Riverfront Plaza
1037 Raymond Blvd., Suite 100, Newark, NJ 07102
ATTN: Secretary for the Committee on Plan Administration

This statement includes important information to help you understand your Thrift Plan and compare the investment options offered to you. Most or all of the fund information in this statement is available to you by other means.

14-DAY TRANSFER RULE

The 14-Day Transfer Rule stipulates that once you transfer money between funds, you can't transfer money in or out of those same funds again until the 15th calendar day after your original transaction. You may transfer between two or more other funds that weren't part of that original transfer, but that will start a new 14-day restriction period for those funds involved in the second transfer, etc.

| ← General Information → | | ← Fee Information → | | | ← Historical Performance → | | | |
|---|-----------------------|------------------------|---------------------------------------|---|---|----------------|--------------|---------------------------|
| Fund Name/Benchmark | Asset Class | Total Asset-Based Fees | Annual Cost Per \$1,000 of Investment | Shareholder-Type Fees and Investment Restrictions | Average Annual Total Return as of 12/31/15 (Fund and Benchmark) | | | |
| | | | | | 1 yr. | 5 yr. | 10 yr. | Incept. to date |
| Core Funds | | | | | | | | |
| Government Securities <i>Benchmark: Barclays Capital 1-3 Year Treasury Index</i> | Government Securities | 0.042% | \$0.42 | Subject to the 14-Day Transfer Rule. | 0.5% 0.6% | 0.7% 0.7% | 2.5% 2.4% | N/A N/A |
| TIPS Index <i>Benchmark: Barclays Capital U.S. TIPS Index</i> | Government Securities | 0.06% | \$0.60 | Subject to the 14-Day Transfer Rule. | -1.4% -1.4% | 2.5% 2.6% | 3.9% 3.9% | N/A N/A |
| 2016-Select Maturity Bond <i>Benchmark: Barclays U.S. Government/Credit 2016 Rolldown Index^{1, 3}</i> | Bonds | 0.075% | \$0.75 | Subject to the 14-Day Transfer Rule. | 0.8% 0.7% | N/A N/A | N/A N/A | 2.3% 2.1% ² |
| 2018-Select Maturity Bond <i>Benchmark: Barclays U.S. Government/Credit 2018 Rolldown Index³</i> | Bonds | 0.075% | \$0.75 | Subject to the 14-Day Transfer Rule. | 1.7% 1.5% | N/A N/A | N/A N/A | 3.6% 3.5% ² |
| 2020-Select Maturity Bond <i>Benchmark: Barclays U.S. Government/Credit 2020 Rolldown Index³</i> | Bonds | 0.075% | \$0.75 | Subject to the 14-Day Transfer Rule. | 2.2% 1.7% | N/A N/A | N/A N/A | 2.8% 2.8% |
| 2022-Select Maturity Bond <i>Benchmark: Barclays U.S. Government/Credit 2022 Rolldown Index</i> | Bonds | 0.075% | \$0.75 | Subject to the 14-Day Transfer Rule. | N/A N/A | N/A N/A | N/A N/A | 1.2% 0.6% |
| Bond Index <i>Benchmark: Barclays Capital U.S. Aggregate Bond Index</i> | Bonds | 0.04% | \$0.40 | Subject to the 14-Day Transfer Rule. | 0.5% 0.6% | 3.3% 3.3% | 4.5% 4.5% | N/A N/A |
| Equity Index <i>Benchmark: CRSP U.S. Total Stock Market Index⁴</i> | U.S. Equities | 0.02% | \$0.20 | Subject to the 14-Day Transfer Rule. | 0.5% 0.4% | 12.3% 12.2% | 7.6% 7.5% | N/A N/A |
| Small Company Equity <i>Benchmark: S&P SmallCap 600 Index</i> | U.S. Equities | 0.04% | \$0.40 | Subject to the 14-Day Transfer Rule. | -2.1% -2.0% | 11.4% 11.5% | 6.9% 8.0% | N/A N/A |
| International Equity <i>Benchmark: MSCI World ex U.S. IMI</i> | International Equity | 0.07% | \$0.70 | Subject to the 14-Day Transfer Rule. | -1.7% -2.0% | 1.8% 3.0% | 3.0% 3.2% | N/A N/A |
| REIT Index <i>Benchmark: MSCI U.S. REIT Index</i> | Specialty/Sector | 0.10% | \$1.00 | Subject to the 14-Day Transfer Rule. | 2.5% 2.5% | 11.8% 11.9% | 7.6% 7.4% | N/A N/A |
| Emerging Markets Equity <i>Benchmark: MSCI Emerging Markets IMI</i> | International Equity | 0.14% | \$1.40 | Subject to the 14-Day Transfer Rule. | -14.1% -13.9% | -5.1% -4.6% | N/A 3.9% | 1.2% 1.7% |
| Asset Allocation Funds⁵ | | | | | | | | |
| Conservative <i>Benchmark: Blended Benchmark</i> | Asset Allocation | 0.05% | \$0.50 | Subject to the 14-Day Transfer Rule. | -0.1% -0.1% | 4.3% 4.3% | 5.2% 4.9% | N/A N/A |
| Moderate <i>Benchmark: Blended Benchmark</i> | Asset Allocation | 0.05% | \$0.50 | Subject to the 14-Day Transfer Rule. | -0.7% -0.6% | 5.8% 6.0% | 6.0% 5.6% | N/A N/A |
| Aggressive <i>Benchmark: Blended Benchmark</i> | Asset Allocation | 0.05% | \$0.50 | Subject to the 14-Day Transfer Rule. | -1.4% -1.4% | 7.1% 7.4% | 6.3% 6.0% | N/A N/A |

¹The 2016 Select Maturity Bond Family Fund was frozen to new money, effective June 30, 2015.

²The benchmark inception date for the return noted is July 29, 2011. However, the inception date for the fund return is July 1, 2011.

³Barclays U.S. Aggregate ex MBS Rolldown Index through June 30, 2015; Barclays U.S. Government/Credit Rolldown Index thereafter.

⁴Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 8, 2005; the MSCI U.S. Broad Market Index through January 14, 2013; CRSP U.S. Total Market Index thereafter

⁵The Asset Allocation Funds were re-optimized on Aug. 1, 2012. Returns prior to that date are calculated using the performance of the core funds and asset allocations developed for 2012, rebalanced annually.

The Importance of Diversifying Your Retirement Savings

For your long-term retirement security and because market or economic conditions can affect fund performance differently, consider the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you attain a favorable rate of return while minimizing your risk of losing money. If you invest more than 20 percent of your retirement savings in any one company or industry, your savings may not be properly diversified. While diversification isn't a guarantee against loss, it's an effective way to manage investment risk.

As you decide how to invest your retirement savings, consider all your assets, including any savings outside the Plan. No single approach is right for everyone because people have different financial goals, savings timelines and risk tolerance. Regularly review your objectives, your investment portfolio and the Plan's investment options to help ensure that your savings will meet your retirement income goals.

For more information about individual investing and portfolio diversification, visit the Department of Labor's website at www.dol.gov/ebsa/investing.html.

Request a Print Copy

You have the right to request and receive a free, printed copy of your account statement. To request one, visit the SmartBenefits website or call the Federal Reserve Benefits Center.

4. Understand Your Investment Options

Access the SmartBenefits website to learn more about:

- Your investment choices by reading the *Thrift Plan Investment Options Guide*, available via the home page "Library" tile; and
- Investment-related definitions by clicking on the "Thrift Plan" tile under "Your Information." From there, click on the "Thrift" drop down > "Investment Summary" > "Fund Performance" > "Fact Sheets" to access the "Glossary" link at the top right-hand corner of the page.