



# Thrift Savings Plan HIGHLIGHTS

January 2007

## L Fund Watch

By the end of November 2006, L Fund assets had grown to \$16.1 billion, with approximately 418,000 TSP participants investing in L Funds. Check out the L Fund advantages on our Web site.

## Contribution Limits

For 2007, the IRS lets you contribute up to \$15,500 in tax-deferred money to the TSP. If you will be age 50 or older during 2007, you may also contribute up to \$5,000 in "catch-up" contributions if your regular contributions for the year reach the \$15,500 limit. To make catch-up contributions for 2007, you need to make a new election on the TSP Catch-Up Contribution Election form.

## Don't let your loan payments slip!

If your agency or service hasn't deducted your loan payment from your pay, you are still responsible for seeing that the payment is made. You can make the payment yourself by sending it with a TSP Loan Payment Coupon. Obtain a coupon from the Forms & Publications section of the TSP Web site or request one from the ThriftLine or your agency or service. Don't let your loan go into default — act now.

## Pension Reform Law Benefits TSP Participants

Some TSP rules have been changed, thanks to the Pension Protection Act of 2006. The law, signed by the President last year as Public Law 109-280, was primarily intended to improve private sector retirement plans. However, a few of the law's provisions also apply to the TSP. In brief, here are the changes you can expect:

- **Transfers of TSP death benefits to "inherited" IRAs** — Non-spouse TSP beneficiaries can take advantage of a tax minimization strategy previously only available to spouse beneficiaries. Non-spouse beneficiaries can now transfer their death benefit payments to an "inherited" IRA, and, in most cases, take required payments from that IRA based on their own life expectancy. This eliminates the tax hit that many non-spouse beneficiaries were subject to before the law was changed. The rules governing inherited IRAs are complicated, and there are restrictions. You may wish to discuss this new benefit with your tax advisor or IRA provider if it applies to your TSP beneficiaries.
- **Exemption of certain Reservists from the 10% early withdrawal penalty** — A Reservist who takes a withdrawal from his or her TSP account when called to active duty may be able to get future and retroactive relief from the IRS early withdrawal penalty. To be eligible, a Reservist must be called up for more than 179 days (or an indefinite period) between September 11, 2001, and December 31, 2007, and the withdrawal must have been taken between the beginning date of the order or call and the close of the active duty period. Also, for up to two years after his or her tour of active duty ends (or August 17, 2008, whichever is later), the Reservist may "repay" the money withdrawn by investing it in an IRA. Check with your legal assistance officer, tax advisor, or the IRS about this new benefit. There's also a link on our Web site to the IRS guidance.
- **Permanent tax credit** — The Retirement Savings Contributions Credit, designed to give a tax break to lower income participants who contribute to the TSP or other retirement savings plans, has been made permanent. The eligibility limits, based on income, will be indexed to inflation. More information is available on the TSP Web site under Features/Tax Advantages of the TSP.
- **Wider opportunities for transferring tax-exempt money** — Members of the uniformed services who contributed tax-exempt money to the TSP can now transfer it into a 403(b) annuity contract, if the 403(b) administrator accepts tax-exempt money.

After December 31, 2007, separated TSP participants withdrawing their money and active participants taking age-based withdrawals will be able to transfer money directly from their TSP accounts to Roth IRAs. However, in the beginning, transfers to Roth IRAs will not be available to participants who have an average gross income of \$100,000 or more or to participants who are married, but filing separate tax returns. More information about this opportunity will be provided once the IRS issues regulations.



**TSP Web Site:**  
[www.tsp.gov](http://www.tsp.gov)

**ThriftLine:** 1-TSP-YOU-FRST (1-877-968-3778)  
Outside the U.S. and Canada: 404-233-4400

**TDD:** 1-TSP-THRIFT5  
(1-877-847-4385)

## New Year Reminders

**IRS Form 1099-R documenting your withdrawals and other taxable distributions will be sent to you by the end of this month.** Make sure the TSP has your correct address.

**The deadline for requesting a refund of excess 2006 contributions is March 1, 2007.** This applies to you if you contributed more than \$15,000 in 2006 to the TSP **and another** eligible plan (more than \$20,000 if you also made catch-up contributions). If your excess contributions were put into a civilian **and** a uniformed services TSP account, or if you are a member of the uniformed services and your total tax-deferred and tax-exempt TSP contributions exceeded \$44,000, your refund will be automatic and you do not need to make a request for a refund.

**The TSP withdrawal deadline is April 1, 2007,** if you were 70½ and were separated from service in 2006. If this applies to you, you must withdraw or begin receiving monthly payments from your TSP account by this date.

**For income tax purposes,** monthly payments that were normally scheduled to be disbursed between December 28, 2006, and January 1, 2007, were processed on December 27, 2006. They will be reported to the Internal Revenue Service (IRS) as income for 2006. Any other payments processed on or after December 28, 2006, will be reported to the IRS as income for 2007.

For more information about any of these items, visit the TSP Web site, check with your agency or service, or call the TSP.

Rates of Return										
	L 2040*	L 2030*	L 2020*	L 2010*	L Income*	G Fund	F Fund	C Fund	S Fund**	I Fund**
<b>Monthly 2006</b>										
Jan	3.84%	3.40%	2.92%	2.22%	1.10%	0.36%	0.09%	2.66%	6.70%	6.14%
Feb	-0.07	0.00	0.07	0.15	0.25	0.36	0.28	0.22	-0.98	-0.27
Mar	1.98	1.71	1.56	1.19	0.67	0.36	-0.93	1.29	3.84	3.33
Apr	1.75	1.62	1.47	1.18	0.74	0.44	-0.19	1.35	0.34	4.83
May	-2.87	-2.45	-2.06	-1.31	-0.33	0.44	-0.09	-2.87	-4.36	-3.87
June	0.26	0.27	0.28	0.37	0.33	0.44	0.19	0.07	0.47	0.00
July	0.13	0.20	0.35	0.37	0.49	0.44	1.32	0.65	-2.79	0.98
Aug	2.22	1.96	1.81	1.39	0.90	0.44	1.58	2.36	2.15	2.76
Sept	1.41	1.33	1.17	1.01	0.73	0.35	0.82	2.58	0.88	0.15
Oct	3.28	2.94	2.51	1.79	1.04	0.43	0.73	3.27	4.99	3.87
Nov	2.32	2.03	1.78	1.34	0.79	0.43	1.08	1.91	3.54	2.96
<b>Annual 1996 – 2005</b>										
1996	-	-	-	-	-	6.76%	3.66%	22.85%	-	-
1997	-	-	-	-	-	6.77	9.60	33.17	-	-
1998	-	-	-	-	-	5.74	8.70	28.44	-	-
1999	-	-	-	-	-	5.99	-0.85	20.95	-	-
2000	-	-	-	-	-	6.42	11.67	-9.14	-	-
2001	-	-	-	-	-	5.39	8.61	-11.94	-2.22**	-15.42**
2002	-	-	-	-	-	5.00	10.27	-22.05	-18.14	-15.98
2003	-	-	-	-	-	4.11	4.11	28.54	42.92	37.94
2004	-	-	-	-	-	4.30	4.30	10.82	18.03	20.00
2005	3.92*	3.59*	3.40*	2.99*	2.15*	4.49	2.40	4.96	10.45	13.63
<b>Compound Annual 1996 – 2005</b>										
	-	-	-	-	-	5.49%	6.18%	9.01%	-	-
<p>The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and accrued investment management fees. Information about related indexes and their returns can be found in the TSP Fund Information sheets on the TSP Web site.</p> <p>* The L Funds are invested in the individual TSP funds (G, F, C, S, and I). The L Funds were implemented on August 1, 2005; therefore, there are no returns for these funds for earlier periods. Returns for 2005 are for August 1, 2005, through December 31, 2005.</p> <p>** The S and I Funds were implemented in May 2001; therefore, there are no returns for these funds for earlier periods. Returns shown for 2001 are for May through December.</p>										