



Thrift Savings Plan HIGHLIGHTS

April 2008

Your new statement

If you were a TSP participant as of December 31, 2007, you should have received your first annual TSP participant statement. The statement covers activity in your account for 2007 and provides other valuable information. If you did not get yours, you can obtain a copy from the Account Access section of the TSP Web site. You can also request a copy through the ThriftLine: TSP-YOU-FRST (877-968-3778).

TSP is ready for Roth transfers

The TSP recently began offering transfers and rollovers to Roth IRAs from age-based in-service withdrawals and certain post-separation withdrawals. However, if you are thinking about rolling over — or having the TSP transfer — money from your TSP account to a Roth IRA, we strongly encourage you to first speak with a tax advisor about the rules, restrictions, and tax consequences involved. (For example, unlike transfers or rollovers to traditional IRAs, where you defer paying tax until you withdraw the money, transfers or rollovers to Roth IRAs require you to pay tax for the year of the transfer.) Updated forms and tax notices are available on the TSP Web site.



Limits to Interfund Transfers Will Save Participants Money

Last year, it became clear that a small number of TSP investors were making frequent interfund transfers. They were “timing the market,” requesting interfund transfers in reaction to, or in anticipation of, short-term market conditions. Upon careful review, we determined that this activity was harming other TSP participants via transaction costs and greater risk of performance deviations from the TSP funds’ benchmarks.

These actions are affecting everyone invested in the funds. For example, in 2007 alone, transaction costs caused all long-term investors in the I Fund to earn 0.06 percent less than they otherwise would have. This expense is in addition to the .015 percent administrative costs charged to all of the TSP funds.

To resolve this problem, the Board has proposed a regulation that would limit participants to two interfund transfers per month, with subsequent unlimited transfers only to the G Fund. We hope this action will curb market timing, while still allowing participants to periodically rebalance their accounts and retain the “safe haven” of the G Fund when concerned about risk. Based on current participant behavior, we have determined that these limits impact very few TSP participants. (In fact, our review of data for 2007 shows that more than 99 percent of TSP participants requested 12 or fewer interfund transfers over the entire year.) This small change will save money for all participants because transaction expenses and certain other costs will decrease as the result of the proposed restrictions.

We have published the proposed regulation in the Federal Register and have links to it on our Web site. Once we have evaluated any comments we receive, we will make a final decision regarding the approach to be taken, and we will announce it on the TSP Web site.

For more information about the proposed limitations, click on “Information about Interfund Transfer Restrictions” at the top of the TSP Web site’s Home page. You will find a set of Questions and Answers about interfund transfer activity, a relevant November 6, 2007 memorandum to the TSP’s Board members, and an accompanying presentation.

As the TSP’s Executive Director, Gregory T. Long, wrote in a letter mailed to all TSP participants in February, “We feel strongly that the detrimental effects of frequent trading on fund performance must be dealt with and encourage you to read the materials we have made available so you understand why we are pursuing the proposed regulations.”

TSP Web Site:
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)

We're Making Account Numbers Easier to Use

Since last October, your TSP account information has been more secure thanks to our move to TSP account numbers. Now you no longer have to provide your Social Security number to gain access to the Account Access section of the TSP Web site or the ThriftLine. But we know it's not easy to remember your 13-digit account number! So, to make it easier for you to log into the Web site, we are taking a new step. Beginning later this spring, we will make it possible for you to create a customized user ID of your choice to use as an alternative to your TSP account number.

We will still identify you through your TSP account number, which you will still have to provide when you call the TSP or complete most TSP forms. But, when you log into your account on the Web, you will be able to use either your TSP account number or the customized ID you have established. You will still need to use your Web

password. If you have both a civilian and a uniformed services account, you will be able to create the same user ID for both.

You will be able to choose a customized ID that you find easy to remember. Once you've established your user ID, it will not expire, and you can change it as often as you like. Your customized ID will be unique to you.

You will need to protect your customized ID in the same way you guard your TSP account number, password, and PIN. Do not leave it where others can see it, and never reveal it to anyone.

Watch the TSP Web site for an announcement when the TSP is ready to implement this new feature. 

April is "financial literacy month"

This is a good time to learn more about the TSP. Obtain informative booklets, fact sheets, leaflets, and other publications from the TSP Web site, www.tsp.gov.



Rates of Return

| | L 2040 | L 2030 | L 2020 | L 2010 | L Income | G Fund | F Fund | C Fund | S Fund | I Fund |
|---------------------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|-----------|-----------|
| Monthly 2008 | | | | | | | | | | |
| Jan | - 5.37% | - 4.71% | - 3.90% | - 2.07% | - 0.97% | 0.33% | 1.76% | - 5.98% | - 6.27% | - 8.52% |
| Feb | - 1.80 | - 1.51 | - 1.25 | - 0.59 | - 0.22 | 0.24 | 0.16 | - 3.28 | - 2.05 | - 0.66 |
| Annual 1998 - 2007 | | | | | | | | | | |
| 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 | - | - |
| 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 | - | - | - | - | - | 4.49 | 2.40 | 4.96 | 10.45 | 13.63 |
| 2006 | 16.53 | 15.00 | 13.72 | 11.09 | 7.59 | 4.93 | 4.40 | 15.79 | 15.30 | 26.32 |
| 2007 | 7.36 | 7.14 | 6.87 | 6.40 | 5.56 | 4.87 | 7.09 | 5.54 | 5.49 | 11.43 |

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. Additional information about the TSP Funds, the related indexes, and their respective 1-, 3-, 5-, and 10-year returns can be found in the TSP Fund Information sheets on the TSP Web site.

The L Funds, which are invested in the individual TSP funds (G, F, C, S, and I), were implemented on August 1, 2005; therefore, the first annual returns are for 2006. The S and I Funds were implemented in May 2001; therefore, there are no annual returns for these funds for years before 2002.