



# Highlights for Participants

**Your Thrift Savings Plan has changed!** Public Law 101-335 (July 17, 1990) made major improvements in the TSP. We have also made other changes that will enhance your participation in the Plan. This edition of the *Highlights* summarizes these changes, but we urge you to read the:

**Summary of the Thrift Savings Plan for Federal Employees, September 1990**—detailed information about the TSP and recent changes. All employees should receive the Plan Summary from their agencies. If you have not received a copy, contact your agency employing office. If you have left Federal service, a copy has been mailed to you; contact the TSP Service Office at the address on your Participant Statement if you did not receive it.

**Open Season Update, November 15, 1990 - January 31, 1991**—a brief description of the TSP and the changes that affect employees' TSP decisions this open season. All Federal employees should receive the Update from their agencies. If you have not received a copy, contact your agency employing office.

**FERS employees: Investment restrictions have been removed.** You can now invest all or any portion of your TSP account in any of the three TSP Funds: G Fund (Government securities), C Fund (stocks), and F Fund (bonds). This means that you can allocate all future contributions to your account—both your own and your agency's contributions—without restriction among the three Funds. You can also now transfer all or any portion of your account balance (including agency contributions) among the three Funds.

Your investment decisions will apply to both your own and your agency's contributions to your account beginning in January 1991. If you now contribute to the C or F Fund, and you wish to continue contributing without interruption, you must submit a new Election Form (TSP-1) this open season. Submit your form to your agency employing office early enough so that it will be accepted by your agency before the first full pay period in January 1991. Otherwise, future contributions to your account will be invested in the G Fund until you make another election (either later in this open season or in a subsequent open season). A new Form TSP-1 was recently mailed to C and F Fund investors with a letter explaining this requirement. If you have questions about your contributions, contact your agency employing office.

**CSRS employees: Can now invest in the C and F Funds.** Beginning this open season, you can invest all or any portion of your future contributions in the G, C, and F Funds by submitting Form TSP-1 to your agency. You can also now move all or any portion of your account balance among the three Funds through an interfund transfer.

**All participants: Can make up to four interfund transfers a year.** Beginning in 1991, you can make these transfers in any months that you choose. An Interfund Transfer Request (Form TSP-30) is enclosed for all eligible participants. If the TSP Service Office receives your Form TSP-30 by the 15th of the month, your transfer will be effective as of the end of the month. You can obtain another copy of Form TSP-30 by calling the TSP Inquiry Line at the number on your Participant Statement. Beginning in early 1991, these forms will also be available from your agency employing office (but they should always be returned to the TSP Service Office).

**A new bond index fund will be selected for the F Fund.** The new index fund will include mortgage-backed securities, which will further diversify the F Fund and potentially increase earnings.

**You can now recover lost earnings.** Your agency must now make up earnings lost to your TSP account as a result of certain agency errors. (This does not include lost

earnings on contributions of your own money that your agency may have failed to deduct from your pay.) This requirement is retroactive to the date when you became eligible to participate in the TSP.

**TSP annuities are now exempt from state and local premium taxes.** All TSP annuities purchased on or after August 16, 1990 are exempt from state and local premium taxes. Before, six jurisdictions imposed a premium tax on the purchase of TSP annuities: Alabama, California, the District of Columbia, Kentucky, Puerto Rico, and West Virginia.

## Several changes will affect TSP withdrawals:

**Automatic cashouts.** Beginning in January 1991, when your agency reports that you have left Government service, you will be notified if your vested account balance is \$3,500 or less. You will receive an automatic cash payment, **unless** you choose another withdrawal option for which you are eligible. This automatic cashout will be made regardless of your eligibility for retirement benefits. Spouse notice and consent requirements will not apply to automatic cashouts (or to any other withdrawal election if your vested account balance is \$3,500 or less at disbursement).

**Break in service.** Beginning in January 1991, if you leave the Government and are rehired, your break in service must be more than 30 consecutive days in order for you to be eligible (or required) to withdraw your TSP account.

**Change to a final single payment.** If you are withdrawing your TSP account in a series of monthly payments, you can request at any time to receive your remaining account balance in a single payment. Contact the TSP Service Office at the address on your Participant Statement for an Application for a Final Single Payment (Form TSP-12-A).

**TDD for hearing impaired participants.** The TSP Service Office has installed a Telecommunications Device for the Deaf. Call (504) 255-5113 Monday through Friday, between the hours of 7:45 a.m. and 4:15 p.m. (Central Standard Time).



**Do we have your correct address?** If you have moved or are planning to move, be sure to notify your agency so that they can submit your new address to the TSP. If you have left Federal service, notify the TSP Service Office by submitting a Change of Address (Form TSP-9) or a separate letter (include your name, Social Security number, date of birth, complete new mailing address, daytime telephone number, and signature).

## Information about TSP Investment Funds

**Management of the Funds.** The Thrift Investment Board manages the G Fund. Through December 31, 1990, the Board has contracts with Wells Fargo Institutional Trust Company (Wells Fargo), a company jointly owned by Wells Fargo Nikko Investment Advisors and Wells Fargo and Co., to manage C and F Fund assets. The Board will select investment managers for the C and F Funds through a competitive proposal process, and new contracts will be in effect on January 1, 1991.

Following is a brief description of the three TSP Funds. For more detailed information, see the *Summary of the Thrift Savings Plan for Federal Employees*.

**The G Fund** is invested in short-term nonmarketable U.S. Treasury securities specially issued to the TSP. The G Fund interest rate equals the average of market rates of return on U.S. Treasury marketable securities outstanding with four or more years to maturity. There is no credit risk (risk of nonpayment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (the risk that investments may fluctuate in value as interest rates change) is minimized by the Board's current policy of investing the G Fund in short-term rather than longer-term securities.

The table below presents the calendar-year total rates of return for the last 10 years for G Fund related securities, based on the monthly rates (compounded) for such securities. These figures are stated without deducting administrative expenses. The table also shows the actual G Fund rates of return in 1988 and 1989, after deducting administrative expenses of the Plan. Plan expenses reduced the 1989 return by 0.21%, or \$2.10 for every \$1,000 of G Fund account balance. There is no assurance that future rates of return will resemble any of these rates:

Year	G Fund	Related Securities
1980		11.57%
1981		14.18%
1982		13.56%
1983		11.61%
1984		13.13%
1985		11.33%
1986		8.29%
1987		8.73%
1988	8.81%	9.19%
1989	8.81%	9.01%
1980 - 1989 average annual rate of return		11.04%

**The C Fund** is invested primarily in a commingled Standard & Poor's (S&P) 500 stock index fund. The C Fund gives participants the opportunity to diversify their investments and to earn the relatively high investment return sometimes available through stock ownership, while lessening the effect that the poor performance of an individual stock or industry will have on overall investment performance. The risk of investing in the C Fund is that the value of stocks can decline sharply. The total return on the C Fund could be negative, resulting in a loss.

The table below presents the calendar-year total rates of return for the S&P 500 stock index for the last 10 years. It also presents the returns for the Wells Fargo Equity Index Fund, in which the C Fund has been invested since it began in 1988. These rates are stated without deducting administrative, investment management, and trading expenses. The table also shows the actual 1988 and 1989 C Fund rates of return (after expenses). Expenses reduced the 1989 C Fund return by 0.20%, or \$2.00 for every \$1,000 of C Fund account balance. There is no assurance that future rates of return will resemble any of these rates:

Year	C Fund	Wells Fargo Equity Index Fund*	S&P 500 Index**
1980		32.50%	32.38%
1981		-4.62%	-5.10%
1982		21.52%	21.09%
1983		22.37%	22.36%
1984		6.55%	6.12%
1985		32.32%	32.02%
1986		18.49%	18.55%
1987		5.23%	5.23%
1988	11.84%***	16.60%	16.83%
1989	31.03%	31.61%	31.53%
1980 - 1989 average annual rate of return		17.62%	17.46%

\* Tracks the S&P 500 index.

\*\* Calculated by Wilshire Associates.

\*\*\* The first C Fund investment in the stock market occurred on January 29, 1988.

**The F Fund** is a bond index fund that, beginning in January 1991, will track either the Shearson Lehman Hutton Aggregate (SLHA) bond index or the Salomon Brothers Broad Investment Grade (SBBIG) bond index. These bond indexes consist primarily of high-quality fixed-income securities representing the U.S. Government, corporate, and mortgage-backed securities sectors of the U.S. bond market. Adding mortgage-backed securities to the F Fund will provide greater diversification and the potential for somewhat higher returns.

The F Fund offers the opportunity for increased rates of return in periods of generally declining market interest rates. At such times, the values of the longer-term bonds held in the

F Fund should increase, unlike those of the short-term securities held in the G Fund. The F Fund has the potential for a negative return (especially when market interest rates are increasing), resulting in a loss.

The table below presents the calendar-year total rates of return for the SLHA bond index and the Shearson Lehman Hutton Government/Corporate bond index (SLHGC) for the last 10 years. It also presents the returns for the Wells Fargo Bond Index Fund, in which the F Fund has been invested since it began in 1988. (The Wells Fargo Bond Index Fund tracks the SLHGC.) These rates are stated without deducting administrative, investment management, and trading expenses. The table also shows the rates of return for the F Fund (after expenses). Expenses reduced the 1989 F Fund return by 0.23%, or \$2.30 for every \$1,000 of F Fund account balance. There is no assurance that future rates of return will resemble any of these rates:

Year	F Fund	Wells Fargo Bond Index Fund*	SLHGC Bond Index**	SLHA Bond Index**
1980			3.06%	2.70%
1981			7.26%	6.25%
1982			31.09%	32.62%
1983			8.00%	8.35%
1984		15.06%	15.02%	15.15%
1985		21.32%	21.30%	22.11%
1986		15.53%	15.62%	15.26%
1987		2.25%	2.29%	2.76%
1988	3.63%***	7.58%	7.58%	7.89%
1989	13.89%	14.37%	14.24%	14.53%
1984 - 1989 average annual rate of return		12.51%	12.51%	12.78%
1980 - 1989 average annual rate of return		12.24%	12.24%	12.43%

\* Established in 1984. Tracks the SLHGC bond index.

\*\* Calculated by Shearson Lehman Hutton, Inc. Beginning in January 1991, the F Fund will be invested in an SLHA (or SBBIG) bond index fund. The SLHA returns are used for illustrative purposes. The 1980-1989 SBBIG average annual rate of return was 12.38%.

\*\*\* The first F Fund investment in the bond market occurred on January 29, 1988.

**Recent performance of the TSP Funds.** The monthly rates of return (after expenses) for the 12 months through September 1990 are presented below. These rates of return are used in crediting earnings to your account each month:

Month	G Fund	C Fund	F Fund
<b>1989</b>			
October	0.71%	-2.33%	2.45%
November	0.65%	2.05%	0.86%
December	0.67%	2.37%	0.16%
<b>1990</b>			
January	0.68%	-6.59%	-1.38%
February	0.64%	1.26%	0.21%
March	0.72%	2.64%	0.01%
April	0.71%	-2.52%	-0.94%
May	0.76%	9.44%	2.80%
June	0.71%	-0.71%	1.56%
July	0.72%	-0.36%	1.24%
August	0.72%	-8.65%	-1.42%
September	0.73%	-4.85%	0.81%
12 months	8.74%	-9.13%	6.45%

You can calculate your approximate earnings for any month by multiplying the rate of return for that month by the sum of the prior month-end balance (MEB on your Participant Statement) and one-half of the total of that month's deposits and loan payments.

The 12-month returns in the above tables assume a constant dollar balance during the 12-month period, with no deposits (except the crediting of earnings), interfund transfers, adjustments, loans, or withdrawals. The amount and timing of such activity in your account affect the weight of each monthly return in the calculation of the 12-month period return, and each participant's account activity is different. Thus, TSP participants with activity in their accounts cannot use the 12-month returns to calculate their actual earnings for the 12-month period.