

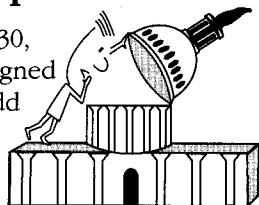


Thrift Savings Plan HIGHLIGHTS

Open Season: November 15 – January 31

Legislative Update

On September 30, the President signed legislation to add two new stock index funds to the TSP –



a small-capitalization index fund and an international index fund. The legislation also allows general purpose loans as in private sector 401(k) plans, in-service withdrawals for financial hardship, and withdrawals by active employees after age 59½.

The new funds will be available in two to three years upon conversion to a new TSP recordkeeping system. The other new benefits will be available sooner. Call the ThriftLine Plan News to learn when these provisions are expected to be implemented.



Lost Your PIN?

You can't access your account information or request an interfund transfer on the ThriftLine without a personal identification number (PIN). Page 4 tells you how to replace or change your PIN.

Of Interest

If you have questions about investment considerations and approaches, or about TSP Fund management and operations, you may find answers in the new **Guide to TSP Investments** (May 1996). The booklet is available from your personnel office. (If you are separated, contact the TSP Service Office.)

Ready or Not . . .

. . . your retirement years are getting closer. Understanding how your TSP account can grow will help you get ready.

Four Basic Principles

Here are four basic principles for managing your TSP account:

- **Start contributing early.** You are never too young to begin to save for retirement. And the sooner you start, the more you'll have because the money you invest will earn more money over time.
- **Save enough to take advantage of all the agency matching money.** As a FERS participant, in addition to the automatic 1% contribution your agency puts in, you will capture another 4% of matching contributions from your agency if you contribute 5% of your basic pay each pay period. If you save less than 5%, you are giving up free money that cannot be recaptured. In addition, you are losing the earnings on those matching contributions which could be adding even more to your account!
- **Understand the consequences of investing too conservatively.** Ideally, your investment mix should at least keep up with inflation. And remember, you must pay taxes when you withdraw your money. The longer your time horizon until withdrawal, the more willing you may be to weather the ups and downs of riskier investments such as stocks, which historically have had a higher return than less volatile investments.
- **Once your money goes into your TSP account, leave it alone.** Pick an investment mix that you feel comfortable with and stick with it. Make changes when your account needs to be rebalanced in order to maintain your investment goals, or when you decide to change your investment mix. Ignore the short-term ups and downs of the market. Before you take a TSP loan, consider the long-term effect on your account compared to borrowing from other sources. If you leave the Government, think about leaving your money in the TSP (or transferring it to an IRA or your new employer's 401(k) plan) so you can continue to defer paying taxes.

Principles at Work

On the next page are two tables that show how your account could grow in 10 years or 30 years based on your current approximate salary and an average annual return of 7%. Let's consider three new FERS employees:

Ms. Spender is newly employed, making \$20,000 a year. She can't imagine working for the Government more than 10 years and she thinks she is much too young to be concerned about retirement. She doesn't want to give up any of her

(Continued on page 2)

Participants Ask . . .



Q Last Open Season I submitted Form TSP-1 (Election Form). I thought I was moving my money out of the F Fund, but on my next statement I still had money in that fund. What did I do wrong?

A Basically, you used the wrong form. Form TSP-1 affects only **new money** that comes into your account from payroll contributions. If you elect on Form TSP-1 to have 0% go to the F Fund, your contributions to the F Fund will stop, beginning with the first full pay period after your Election Form is made effective by your agency. (This is the first full pay period in January if you submit your form by December 31.) *Form TSP-1 does not affect money already in your TSP account.*

To move **existing money** from one fund to another, you must make an interfund transfer. The most efficient way to do this is by calling the ThriftLine at (504) 255-8777 and indicating the percentage of your account that you wish to have in each fund. Or you can submit Form TSP-30, Request for Interfund Transfer, to the TSP recordkeeper. You can make an interfund transfer in any month you wish.

In your case, to move your money out of the F Fund, you should indicate 0% in response to the ThriftLine prompt for the F Fund (or indicate 0% for the F Fund on Form TSP-30). Also indicate the percentage of your account you want to have invested in the G and C Funds.

If you cannot make an interfund transfer using the ThriftLine because you have lost or forgotten your personal identification number (PIN), see page 4 of these *Highlights*. 📖

Ready or Not . . . *Continued from page 1*

paycheck, but she is happy to have the automatic 1% contribution from her agency. Using the 10-year table below, Ms. Spender can see — on the line for \$20,000 salary and in the column for 0% employee contribution — her account will grow to \$2,800 in 10 years.

Her co-worker, Mr. Saver, also makes \$20,000 and plans to leave the Government in 10 years. But he wants to capture all the agency matching money available to him. He contributes 5% of his basic pay each pay period. On the same table in the same salary line (\$20,000) but in the 5% column, Mr. Saver sees that his account will grow to \$28,800 in 10 years.

Account Balance of FERS Employee After 10 Years (7% rate of return)

Salary	Employee/Agency Contributions					
	Employee:	0%	1%	3%	5%	10%
	Auto 1%: Matching:	1%	1%	1%	1%	1%
\$20,000		\$2,800	\$8,600	\$20,200	\$28,800	\$43,400
30,000		4,200	12,900	30,300	43,200	65,100
40,000		5,600	17,200	40,400	57,600	86,800
50,000		7,000	21,500	50,500	72,000	108,500
60,000		8,400	25,800	60,600	86,400	130,200
70,000		9,800	30,100	70,700	100,800	151,900

Here's another example for you to think about: *Another co-worker, Ms. Thrifty, plans to be with the Government for a full 30-year career. She begins immediately to contribute 5% of her \$20,000 salary. On the table below, she sees that her account will grow to \$203,600 by the time she retires.*

Account Balance of FERS Employee After 30 Years (7% rate of return)

Salary	Employee/Agency Contributions					
	Employee:	0%	1%	3%	5%	10%
	Auto 1%: Matching:	1%	1%	1%	1%	1%
\$20,000		\$20,400	\$61,000	\$142,600	\$203,600	\$305,400
30,000		30,600	91,500	213,900	305,400	458,100
40,000		40,800	122,000	285,200	407,200	610,800
50,000		51,000	152,500	356,500	509,000	763,500
60,000		61,200	183,000	427,800	610,800	916,200
70,000		71,400	213,500	499,100	712,600	1,068,900

These tables can help you project your account balance based on future contributions. Check out the tables on page 15 in the Plan Summary if you want to estimate time horizons from 5 to 40 years and assume three different rates of return — 7% (as we used in the examples), a more conservative 4%, and a more optimistic 10%. (The footnotes to the tables explain how to use them if you are a CSRS employee.) The Plan Summary tables also help you project the growth of money already in your account.

It is eye-opening to project your TSP account balance and see what you could have at some point in the future. To plan for your retirement you will want to consider all your sources of future income, including Social Security, your FERS or CSRS annuity, your TSP account, and other personal savings. After projecting your TSP account balance (and considering your other income sources), you may decide to increase your present level of TSP contributions or change your investment mix. 📖

Thrift Savings Plan Investment Information

The Thrift Investment Board manages the G Fund assets. The Board has contracts with BZW Barclays Global Investors, N.A., (Barclays) to manage the C and F Fund assets.

Following is a brief description of the three TSP funds. For more information about the G, C, and F Funds, see the *Summary of the Thrift Savings Plan for Federal Employees*.

The G Fund is invested in short-term nonmarketable U.S. Treasury securities that are 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 eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities.

Table 1 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. It also shows the actual 1988 – 1995 G Fund rates of return, after deducting administrative expenses of the Plan. Plan expenses reduced the 1995 return by 0.09%, or \$.90 for every \$1,000 of G Fund account balance. There is no assurance that future rates of return for the G Fund will replicate any of these rates.

The C Fund is invested in the Barclays Equity Index Fund, a commingled fund that tracks the Standard & Poor's (S&P) 500 stock index. The C Fund gives participants the opportunity to diversify their investments and to earn the relatively high investment return that stocks sometimes provide, while lessening the effect that the poor performance of an individual stock or industry will have on overall investment perfor-

mance. The risk of investing in the C Fund is that the value of stocks can decline sharply. The total C Fund return could be negative, resulting in a loss.

Table 2 presents the calendar-year total rates of return for the Barclays Equity Index Fund and the S&P 500 stock index for the last 10 years. It also shows the 1988 – 1995 C Fund rates of return (after deducting expenses). TSP administrative expenses and C Fund investment management fees reduced the 1995 C Fund return by 0.10%, or \$1.00 for every \$1,000 of C Fund account balance. There is no assurance that future rates of return for the C Fund will replicate any of these rates.

The F Fund is invested in the Barclays U.S. Debt Index Fund, a commingled fund that tracks the Lehman Brothers Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, corporate, and mortgage-backed securities sectors of the U.S. bond market.

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

Table 1

(Continued on page 4)

Year	G Fund*	Related Securities
1986		8.3%
1987		8.7%
1988	8.8%	9.2%
1989	8.8%	9.0%
1990	8.9%	9.0%
1991	8.1%	8.3%
1992	7.2%	7.3%
1993	6.1%	6.2%
1994	7.2%	7.3%
1995	7.0%	7.1%
1988 – 1995 compound annual rate of return		
	7.8%	7.9%
1986 – 1995 compound annual rate of return		
		8.0%

* The first G Fund investment occurred on April 1, 1987.

Table 2

Year	C Fund*	Barclays Equity Index Fund	S&P 500 Index**
1986		18.5%	18.5%
1987		5.2%	5.2%
1988	11.8%	16.6%	16.8%
1989	31.0%	31.6%	31.5%
1990	-3.2%	-3.2%	-3.2%
1991	30.8%	30.4%	30.6%
1992	7.7%	7.6%	7.7%
1993	10.1%	10.1%	10.0%
1994	1.3%	1.3%	1.3%
1995	37.4%	37.6%	37.5%
1988 – 1995 compound annual rate of return			
	15.0%	15.6%	15.7%
1986 – 1995 compound annual rate of return			
		14.8%	14.9%

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

** Calculated by Wilshire Associates.


(Continued in next column)

Investment Information

Continued from page 3

longer-term securities 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 negative returns (when market interest rates are increasing), which could result in a loss.

Table 3 presents the calendar-year total rates of return for the Barclays U.S. Debt Index Fund and the LBA bond index for the last 10 years. It also shows the 1988 – 1995 rates of return for the F Fund (after deducting expenses). TSP administrative expenses and F Fund investment management fees reduced the 1995 F Fund return by 0.11%, or \$1.10 for every \$1,000 of F Fund account balance. There is no assurance that future rates of return for the F Fund will replicate any of these rates.

Recent performance of the TSP funds. Table 4 presents monthly rates of return (after expenses), which are used in crediting earnings to your account. 

★ TSP Accounts ★

as of 9/30/96

G Fund	\$ 23.0 billion
C Fund	\$ 16.4 billion
F Fund	\$ 2.5 billion
Total accounts	\$ 41.9 billion
Participants	2.3 million

Table 3

Year	F Fund*	Barclays U.S. Debt Index Fund**	LBA Bond Index***
1986			15.3%
1987		2.5%	2.8%
1988	3.6%	7.9%	7.9%
1989	13.9%	14.5%	14.5%
1990	8.0%	8.9%	9.0%
1991	15.7%	16.0%	16.0%
1992	7.2%	7.4%	7.4%
1993	9.5%	9.7%	9.8%
1994	-3.0%	-2.9%	-2.9%
1995	18.3%	18.5%	18.5%
1988 – 1995 compound annual rate of return			
	9.0%	9.8%	9.8%
1986 – 1995 compound annual rate of return			
			9.6%

* The first F Fund investment in the bond market occurred on January 29, 1988. Through December 1990, the F Fund was invested in the Barclays Bond Index Fund, which tracked the Lehman Brothers Government/Corporate bond index.
 ** Established in July 1986. Prior to January 1990, the Barclays U.S. Debt Index Fund tracked the Salomon Brothers Broad Investment Grade index.
 *** Calculated by Lehman Brothers.

Table 4

Month	G Fund	C Fund	F Fund
1995			
October	0.5%	-0.4%	1.3%
November	0.5%	4.4%	1.5%
December	0.5%	1.9%	1.4%
1996			
January	0.5%	3.4%	0.7%
February	0.5%	0.9%	-1.7%
March	0.5%	1.0%	-0.7%
April	0.5%	1.5%	-0.6%
May	0.6%	2.6%	-0.1%
June	0.6%	0.4%	1.3%
July	0.6%	-4.4%	0.3%
August	0.6%	2.1%	-0.2%
September	0.6%	5.6%	1.7%
12 months	6.7%	20.2%	4.9%

Of Further Interest...

Forgotten Your PIN?

If you do not know your personal identification number (PIN), you may request a new one using the ThriftLine. Select Account Activity from the Main Menu and enter your Social Security number. When the ThriftLine asks you for your PIN, press **1** to request a new one. You can access your account when you get your new PIN in the mail.

To change your PIN to a number of your choice, select Account Activity from the Main Menu. Follow the instructions to enter your Social Security number and your current PIN; then select PIN Change from the Account Activity menu. Enter your new PIN and confirm it by entering it again. You can use your new PIN immediately.

Call (504) 255-8777 and . . .

