November 1997

Thrift Savings Plan HIGHLIGHTS

Open Season: November 15 – January 31

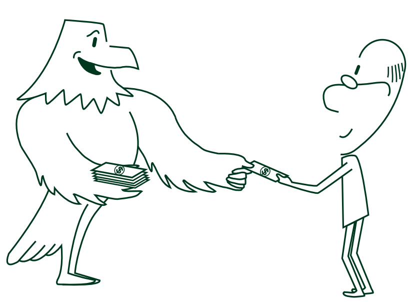
Inside . . .

Left service *and* over age 70?

If so, beginning in the calendar year in which you become age 70½, any withdrawal from your account is subject to the Internal Revenue Service minimum distribution requirements. Your minimum distribution amount is based on your age and your account balance.

Beginning in 1998, you are required to withdraw your TSP account balance (or begin receiving monthly payments or annuity payments) by April 1 of the year *following the year* you are 70½ *and* separated. Even if you have already received an IRS minimum distribution payment from your account, this new deadline for choosing and receiving a withdrawal applies to you.

For more information, contact the TSP Service Office for the Fact Sheet ''Information About Your TSP Required Minimum Distribution.'' If you are approaching your 70th birthday, the TSP will automatically send you detailed information about the new withdrawal and minimum distribution requirements.



New In-Service Withdrawals Available

Like most participants, you probably won't want to touch your TSP account until you retire. But two new in-service withdrawals can give you access to your money while you are still employed — even if you're in nonpay status:

- **Age-based withdrawal.** If you are age 59½ or older, you can make a *one-time* in-service withdrawal from your account. The amount you request must be at least $1,000, but not more than the vested amount in your account. You can continue to make contributions to your TSP account after your withdrawal.
- **Financial hardship withdrawal.** If you can demonstrate financial hardship, you can make an in-service withdrawal regardless of age. The amount you request must be at least $1,000. However, you cannot withdraw more than the amount of your own contributions and earnings or the amount of your demonstrated need, whichever is smaller. You must provide information on family income and expenses, and supply documentation supporting the amount of your request. After you make a financial hardship withdrawal, you cannot contribute to your TSP account for six months, so if you are a FERS employee, your agency matching contributions will also stop.

Before making an in-service withdrawal, you'll want to consider other sources of funds including general purpose TSP loans, which do not require documentation. Unlike a TSP loan, you can't repay the amount you withdraw, so you're *permanently* depleting your retirement savings. And unlike a loan, in-service withdrawals are taxable income in the year in which payment is made and are subject to mandatory 20% Federal income tax withholding. In addition, if you are less than age 59½ at the time of your financial hardship withdrawal, you will also be subject to a 10% early withdrawal penalty tax. As with loans and other types of withdrawals, your spouse must be notified of (CSRS), or consent to (FERS), your request.

To get more information about in-service withdrawals, ask your agency personnel office for the booklet *TSP In-Service Withdrawals*. To apply, contact the TSP Service Office for a copy of Form TSP-75, Age-Based In-Service Withdrawal Request, or Form TSP-76, Financial Hardship In-Service Withdrawal Request. You can also get the booklet and forms from the TSP Web site (www.tsp.gov).

Who knows where your money goes?

Sorry if this sounds morbid, but it's important. Have you thought about what you would want to happen to your TSP account in the event of your death? Does anyone know about your TSP account and what should be done with it? If you are no longer in Federal service, who will report your death to the TSP? Consider the following example:

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Participants Ask . . .

. . . about PINs

Q I have forgotten my Personal Identification Number for the ThriftLine. How do I get a new PIN?

A To request a new PIN, just call the ThriftLine at (504) 255-8777 from a touch-tone phone. Select Account Activity 2 from the main menu. Enter your Social Security number. When you are asked to enter your PIN, select the option 1 to request that a new PIN be mailed to you. It will be mailed to the address in your TSP account record. You will not have access to your account until you have received your new PIN.

Q Can I choose a new PIN that is easier to remember?

A Yes. If you know your current PIN and wish to change it, you can do so on the ThriftLine. Select Account Activity 2 from the Main Menu. Enter your Social Security number and your current PIN. Then select PIN Change 6 from the Account Activity Menu. Enter your new 4-digit PIN and confirm it by entering it again. Your new PIN is effective immediately.

See the enclosed card for information about the ThriftLine and the TSP Web site.

Of Interest

A new TSP record keeping system is being developed by American Management Systems, Inc. Implementation is scheduled for early 2000. At that time, two new funds — a small capitalization index fund and an international index fund — will be available.

Who knows where your money goes? *Continued from page 1*

- *Philip left Federal service in 1990 and kept his money in his TSP account because he had no immediate need for it. He moved several times before his death in 1995. His daughter did her best to sort out his estate, but was unaware of his TSP account. The TSP was never notified of his death. Letters mailed to Philip's address — as it was listed in the TSP database from 1990 — were not returned with a forwarding address. Extensive efforts to locate Philip were unsuccessful. Eventually, his account of over $12,000 was declared abandoned.*

If you are single or without close living relatives, or if you have a particular person in mind, you should specify your wishes on Form TSP-3, Designation of Beneficiary, so that the TSP can honor your wish:

- *Marie was in her twenties, single, and an only child of deceased parents. She was very involved in volunteer work with her church and community. Marie was killed in an auto accident. After extensive efforts by the TSP to find information about Marie's relatives, her account of $8,300 was declared abandoned. If she had filed a beneficiary designation, she could have specified that her account be paid to a distant relative, a close friend, or even a favorite charity.*

If you do not submit Form TSP-3, your account will be paid after your death according to the *statutory order of precedence* (that is, to your surviving spouse; if you have none, to your child or children equally, and descendants of deceased children by representation; if there are none, to your parents equally or the surviving parent; if there is none, to the executor or administrator of your estate; if there is none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death). Form TSP-3 is necessary more often than you may think because **a will or prenuptial agreement cannot be used to designate a beneficiary of a TSP account**. For example:

- *Sam was unmarried, but he had lived with his "significant other" for 10 years. He fully intended to leave all his assets to that person and had specified this in his will. However, TSP payments are paid only according to the statutory order of precedence or a Form TSP-3, Designation of Beneficiary. So the significant other did not receive any of the TSP account — it went instead to Sam's father, from whom he had been estranged for many years.*
- *Sue wanted to leave her TSP account to her children from her first marriage. She had a prenuptial agreement with her second husband that stated this, but she did not submit a Designation of Beneficiary to the TSP with this information. When she died, her TSP account was paid to her second husband (as specified by the statutory order of precedence). Although he fully intended to transfer the money to her children, he died before he could do so. The money (then a part of the second husband's estate) went to his children from his first marriage. Sue's children received nothing.*

It's easy to make your wishes known. You can obtain Form TSP-3 from your personnel office, the TSP Web site (www.tsp.gov), or by calling the TSP Service Office. Remember:

- Keep your designation up to date if your beneficiary information changes (e.g., because of births, adoptions, deaths, name changes, changes of address).
- Be sure to keep your personal information current in your TSP account record, especially when you leave Federal service.
- Make sure your beneficiary or next-of-kin knows about your TSP account.

Thrift Savings Plan Investment Information

The Thrift Investment Board manages the G Fund assets. The Board has contracts with Barclays Global Investors (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. However, G Fund rates of return may well be lower than those of the C and F Funds over the long term.

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 – 1996 G Fund rates of return, after deducting administrative expenses of the Plan. Plan expenses reduced the 1996 return by 0.08%, or $.80 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 can provide over the long term, while

(Continued in next column)

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 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 – 1996 C Fund rates of return (after deducting expenses). TSP administrative expenses and C Fund investment management fees reduced the 1996 C Fund return by 0.09%, or $.90 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 relative to the G Fund over the long term, especially in periods of generally

(Continued on page 4)

Table 1

Year	G Fund*	Related Securities
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%
1996	6.8%	6.8%
1988 – 1996 compound annual rate of return	7.7%	7.8%
1987 – 1996 compound annual rate of return		7.9%

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

Table 2

Year	C Fund*	Barclays Equity Index Fund	S&P 500 Index**
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%
1996	22.8%	23.0%	23.1%
1988 – 1996 compound annual rate of return	15.9%	16.4%	16.5%
1987 – 1996 compound annual rate of return		15.3%	15.3%

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

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Investment Information

Continued from page 3

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. Unlike the G Fund, the F Fund carries credit risk and market risk. Like the C Fund, the F Fund has the potential for negative returns, 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 – 1996 rates of return for the F Fund (after deducting expenses). TSP administrative expenses and F Fund investment management fees reduced the 1996 F Fund return by 0.10%, or $1.00 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 9/30/97

G Fund	$ 24.7 billion
C Fund	$ 27.9 billion
F Fund	$ 2.8 billion
Total accounts	$ 55.4 billion
Participants	2.3 million

Table 3

Year	F Fund*	Barclays U.S. Debt Index Fund**	LBA Bond Index***
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%
1996	3.7%	3.7%	3.6%
1988 – 1996 compound annual rate of return	8.4%	9.1%	9.1%
1987 – 1996 compound annual rate of return		8.4%	8.5%

* *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. Before 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
1996			
October	0.6%	2.7%	2.2%
November	0.5%	7.5%	1.7%
December	0.5%	– 2.0%	– 0.9%
1997			
January	0.6%	6.2%	0.3%
February	0.5%	0.8%	0.2%
March	0.6%	– 4.1%	– 1.1%
April	0.6%	6.0%	1.5%
May	0.6%	6.1%	0.9%
June	0.6%	4.5%	1.2%
July	0.6%	7.9%	2.7%
August	0.5%	– 5.6%	– 0.9%
September	0.5%	5.5%	1.5%
12 months	6.9%	40.3%	9.6%

Need Info/Need Help?

Your Personnel Office — For TSP information and materials (if you are currently employed).

Plan Summary — For general TSP information and answers to most questions — *Summary of the Thrift Savings Plan for Federal Employees.*

TSP Web Site — www.tsp.gov — For TSP information, current and historical rates of return, forms, and materials.

ThriftLine — (504) 255-8777 — For your account balance, rates of return, interfund transfers, loan interest rates, and the amount you may borrow.

TSP Service Office — For information about your loan, interfund transfer, or withdrawal, or if you are separated — TSP Service Office, National Finance Center, P.O. Box 61500, New Orleans, LA 70161-1500; (504) 255-6000 or TDD (504) 255-5113.