



Thrift Savings Plan HIGHLIGHTS

July 2006

Switching to a new agency or service?

When you meet with your new personnel representative, make sure your new employer:

- knows you are a TSP participant,
- continues making your *Employee Contributions* in the right amount,
- continues making your *loan payments*, if any, in the right amount,
- continues making *Agency Automatic (1%) and Matching Contributions* for you if you are a FERS employee, and
- reports your current address to the TSP if you have moved.

Also, be sure to ask whether your new agency or service uses an electronic system such as Employee Express, PostalEASE, EBIS, or myPay for contribution elections or address changes. If so, make sure to find out how to use that system.



L Funds Thriving at One-Year Mark

Although it's only been a year since the TSP introduced the L (Lifecycle) Funds, they have been very successful. The L Funds diversify participants' accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to different time horizons — 2040, 2030, 2020, 2010, and the near future (L Income Fund). When you invest in the L Funds, you select the most appropriate L Fund based on when you expect to begin withdrawing money from your TSP account.

More than 300,000 participants have chosen the ease of investing in the L Funds: 199,000 Federal Employees' Retirement System (FERS) participants, 44,000 Civil Service Retirement System (CSRS) participants, and 75,000 members of the uniformed services. Their collective investments in the L Funds exceed \$11.3 billion, which is more than six percent of the total assets in the TSP.

Most participants have invested in an L Fund that appears appropriate for their time horizon. FERS and uniformed services participants are investing in the L Funds with the longer time horizons (primarily because these participants are younger), while CSRS participants are investing in the L Funds with the shorter time horizons. We continue to add new investors to the L Funds every day, as more and more participants are shifting money to this option.

If you want to learn more about the L Funds and how they work, check out the L Funds section of the TSP Web site at www.tsp.gov. Remember, you can move your TSP contributions or your account balance into or out of any L Fund at any time.

Your L Fund Account Was Rebalanced While on "Cruise Control"

If you began investing in the L Funds when they first became available last year, you are one year closer to your "time horizon," or the date when you will need your money after leaving Government service. Consequently, the asset allocations underlying your L Fund account are slightly different from what they were when you first invested in an L Fund. Didn't notice? That's because you didn't have to take the time to manage your account. With an L Fund, you left your account on "cruise control," and the TSP automatically reallocated your account each quarter to keep your investment strategy on track and make your exposure to risk slightly lower as you moved closer to your time horizon. The L Fund pie charts at www.tsp.gov show you your L Fund's new asset allocations. 🍷

Could You Be Saving More for Retirement?

When you first started your TSP account, you may have estimated how much money you would need for a comfortable retirement. That amount would have included not only your TSP savings, but also the Government annuity you expect and, if applicable, other investments and annuities, including Social Security. Based on that calculation, you planned to contribute as much as you could to help you achieve that goal.

But that planning may have been years ago. As time has passed, your financial situation may have changed. You may have married, divorced, had children, bought a home, or changed your retirement plans. And you have had a chance to see how successfully your TSP savings can grow. So it might be time to reevaluate your TSP participation. With the elimination of limits on the percentage of your pay that you can contribute, you may be able to contribute more money now — especially if you've enjoyed annual raises, step increases, or promotions over time.

Contributing enough to the TSP is especially important if you are a FERS employee. All eligible FERS employees receive Agency Automatic (1%) Contributions equal to one percent of their pay each pay period. But if you are a FERS employee and you don't contribute at least five percent of your pay, you miss out on your Agency Matching Contributions. That's a dollar-for-dollar match on the first three percent of pay that you contribute, and 50 cents on the dollar for the next two percent.

Whether or not you are eligible for matching contributions, you can still contribute up to \$15,000 of your pre-tax pay this year. The more you contribute, the more you gain, and the more you benefit from compound earnings. Once your money begins to accrue earnings, those earnings also start accruing earnings of their own, and your account balance keeps growing based on both your contributions and their earnings. The calculators at www.tsp.gov can help you decide whether you're saving enough for your retirement and help you maximize your contributions to 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**
Monthly 2006										
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
Annual 1996 – 2005										
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
Compound Annual 1996 – 2005										
	-	-	-	-	-	5.49%	6.18%	9.01%	-	-

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.

* 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.

** 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.