

Summary of the Thrift Savings Plan

August 2005



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Information beginning and ending with ★★★ is for members of the uniformed services only.

Contact Information

There are numerous sources of information about the Thrift Savings Plan (TSP or Plan).

The most up-to-date information about the Plan in general, and your account in particular, is on the TSP's Web site. You can also obtain limited information about the Plan and your account from the TSP's automated voice response system, the ThriftLine.

If you need clarification about the Plan's features or have additional questions about your account, your best resource while you are still employed by the

Federal Government is your agency or service. It is responsible for correcting or changing your personal TSP-related information and resolving any issues regarding your contributions and loan payments. If necessary, it will also be able to contact the TSP on your behalf.

If you are separated from Federal service, your primary resource is the TSP Service Office.

The Appendix can direct you to the best sources of information on specific topics.

TSP Web Site: www.tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
(For calls outside the U.S., Canada, and most U.S. territories, use 404-233-4400.)

TSP Service Office: TSP Service Office
P.O. Box 61500
New Orleans, LA 70161-1500

Telephone: Call the ThriftLine to speak to a Participant Service Representative.
(7 a.m. – 9 p.m. eastern time)

Text Telephone (TDD): 1-TSP-THRIFT5 (1-877-847-4385)

TSP Service Office Fax: 504-255-5199

Welcome to the Thrift Savings Plan

Plan for your future . . .

Use the “Retirement Planning” calculator on the TSP Web site to estimate how much you will need to save each year to meet your retirement goals. You can also use the Web calculator, Projecting Your Account Balance, to see how your account can grow.

As a Federal employee or member of the uniformed services, you have the opportunity to participate in the Thrift Savings Plan (TSP).

If you are covered by the Federal Employees’ Retirement System (FERS), the TSP is one part of a three-part retirement package that also includes your FERS basic annuity and Social Security. If you are covered by the Civil Service Retirement System (CSRS) or are a member of the uniformed services, the TSP is a supplement to your CSRS annuity or military retired pay.

The TSP is a retirement benefit that is offered to employees of the U.S. Government. It is similar to “401(k)” plans available to many private sector employees. The purpose of the TSP is to give you the opportunity to participate in a long-term savings and investment plan.

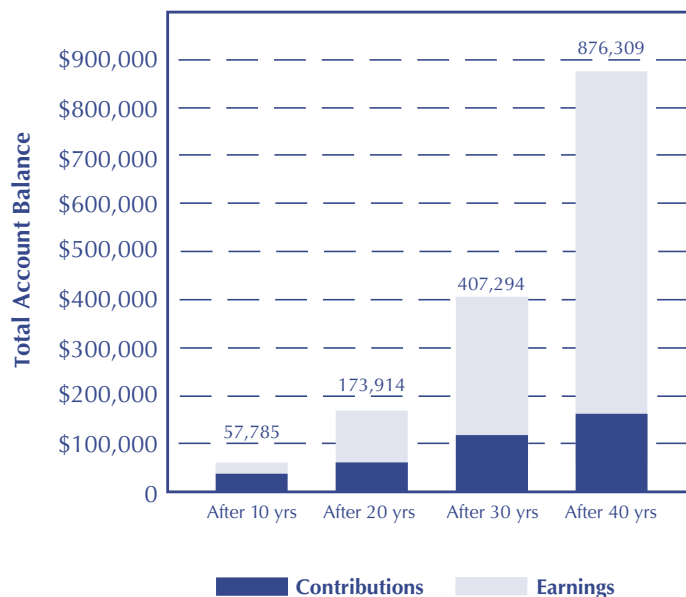
TSP benefits differ depending upon your retirement system (FERS, CSRS, or uniformed services). Therefore, if you are not certain which retirement system you belong to, you should check with your personnel or benefits office.

Saving for your retirement through the TSP provides numerous advantages, including:

Regardless of your retirement system, participating in the TSP can significantly increase your retirement income, but starting early is important. Contributing early gives the money in your account more time to increase in value through the compounding of earnings.

- before-tax contributions and tax-deferred investment earnings
- automatic payroll deductions
- low administrative and investment expenses
- a diversified choice of investment options, including professionally designed lifecycle funds
- agency contributions, if you are a FERS employee
- limited access to your money while you are still employed by the Federal Government
- a portable retirement account that can move with you when you retire or leave Federal service
- a variety of withdrawal options.

Earnings Potential of Your TSP Account*



* Information in this chart assumes a salary of \$40,000, employee and agency contributions of 5% each, and a 7% rate of return.

Are you a new participant?

Getting started:

1 Let your agency or service know how much of your pay you want to contribute by making a contribution election. (Page 2)

2 Verify the personal information contained in the “welcome” letter you receive from the TSP after your account is opened.

3 Look for your TSP Personal Identification Number (PIN) in the mail. You use it to access your TSP account on the TSP Web site and the ThriftLine.

4 Tell the TSP how you want your future contributions invested by making a “contribution allocation.” (Page 11)

5 Initial contributions will be invested in — and will remain in — the G Fund unless you make an “interfund transfer.” (Page 11)

6 If you wish, designate beneficiaries to receive your account in the event of your death. (Page 18)

Contributing to the TSP

There are three sources of TSP contributions:

- Employee Contributions
- Agency Automatic (1%) Contributions
- Matching Contributions

Employee Contributions

There are two types of employee contributions:

- Regular employee contributions
- Catch-up contributions

Regular Employee Contributions. These are payroll deductions that any eligible Federal civilian employee or member of the uniformed services can make from basic pay before taxes are withheld. You can begin making these contributions at any time.

Each pay period, your agency or service will deduct your contributions to the TSP from your pay in the amount you choose. Your agency or service will continue to do so until you make a new TSP election changing the amount of your contribution or stopping it.

Catch-Up Contributions. These are payroll deductions that participants who are age 50 or older may be eligible to make **in addition to** regular employee contributions. These deductions are also taken from before-tax basic pay. To be eligible to make catch-up contributions, you must already be contributing the maximum amount of employee contributions.

Once you are eligible, you can begin making catch-up contributions at any time. Each pay period, your agency or service will make your contributions to the TSP from your pay in the amount you choose.

Your catch-up contributions will stop automatically when you meet the IRS limit,

when the amount of the catch-up contributions you elected has been reached, or at the end of the calendar year, whichever comes first. You must make a new election for each calendar year.



If you are a member of the uniformed services, you can also contribute from 1 to 100 percent of any incentive pay, special pay, or bonus pay — as long as you elect to contribute from basic pay. However, you cannot contribute from allowances such as housing or subsistence.

You can elect to contribute from incentive pay, special pay, or bonus pay, even if you are not receiving any. These contributions will be deducted when you receive this type of pay.

If you are receiving tax-exempt pay (i.e., pay that is subject to the combat zone tax exclusion), your contributions from that pay will also be tax-exempt.

You cannot make catch-up contributions from tax-exempt pay, incentive pay, special pay, or bonus pay.



To begin, change, or stop your employee contributions, you must make a TSP contribution election. You should ask your personnel or benefits office if your agency or service handles TSP enrollment with paper forms or electronically through automated systems such as myPay, PostaleASE, or Employee Self-Service.

If you need to submit a paper request, use Form TSP-I for regular employee contributions and Form TSP-I-C for catch-up contributions. (Members of the uniformed services should use the “U” version of these forms.) You can obtain copies of these forms from the TSP Web site or from your agency or service. Return your completed form to your agency or service.

Whether you submit your contribution election electronically or use a paper form, the election should be effective no later than the first full pay period after your agency or service receives it.

Agency Automatic (1%) Contributions

If you are a FERS employee, your agency will contribute an amount equal to one percent of the basic pay you earn each pay period to your account. These contributions are called Agency Automatic (1%) Contributions. To get these contributions, you do not need to be making employee contributions. However, new FERS employees (and rehired FERS employees who were not previously eligible for agency contributions) must serve a waiting period before becoming eligible for agency contributions. See the chart for more information on the eligibility dates for these contributions.

Agency Automatic (1%) Contributions are not taken out of your pay; nor do they decrease the dollar amount of your pay for income tax or Social Security purposes.

Vesting. Agency Automatic (1%) Contributions are subject to “vesting.” You become “vested” in (that is, entitled to keep) these contributions and any earnings they accrue only after you have completed a time-in-service requirement — which is 3 years for most FERS employees and

2 years for FERS employees in Congressional and certain noncareer positions. All Federal civilian service counts toward vesting — not just service while you are a TSP participant.

The date your vesting period begins is determined by your TSP Service Computation Date (TSP-SCD), which your agency reports to the TSP record keeper. If you are a FERS participant, you can check your TSP-SCD on your quarterly TSP participant statements. The date will never be earlier than January 1, 1984.

If you leave Government service before satisfying the vesting requirement, the Agency Automatic (1%) Contributions and their earnings will be forfeited to the TSP. If you die before separating from service, you automatically become vested in all the money in your TSP account.

Note: You are immediately vested in your own contributions and in any earnings they accrue. If you are receiving Matching Contributions, you are also immediately vested in those contributions and any earnings they accrue.

Matching Contributions

FERS employees receive matching contributions from their agencies on their regular employee contributions as soon as they become eligible for agency contributions.

Eligibility Dates for Agency Automatic and Matching Contributions

| If your FERS employment begins: | Your agency contributions will begin the first full pay period in: |
|--|---|
| 12/1/04 — 5/31/05 | December 2005 |
| 6/1/05 — 11/30/05 | June 2006 |
| 12/1/05 — 5/31/06 | December 2006 |
| 6/1/06 — 11/30/06 | June 2007 |
| 12/1/06 — 5/31/07 | December 2007 |

Submitting a contribution election:

Make certain that you submit your completed contribution election form to your agency or service. Only your agency or service can process contribution elections because it is responsible for paying you — and contributions **must** be deducted from your pay.

To verify the amount you are contributing each pay period, check your pay and leave statement.

Transferring to another agency or service?

Be sure to notify your new personnel/payroll office that you have been contributing to the TSP. This will help ensure that your contributions (and any loan payments) can continue without interruption.

If contributions do not start in a timely manner, it is your responsibility to notify your agency or service. If you do not do so, it is possible that you will not be able to make up all missed contributions.

Don't throw away free money!

If you are a FERS employee, your agency matches your contributions — up to 4% if you contribute 5%. This is free money.

And, if you add the Agency Automatic (1%) Contribution, you double your investment instantly.

If you are a FERS participant, you receive Matching Contributions on the first five percent of pay that you contribute each pay period. The first three percent of pay that you contribute will be matched dollar-for-dollar; the next two percent will be matched at 50 cents on the dollar. Contributions above five percent will not be matched. If you stop making regular employee contributions, your Matching Contributions will also stop.

Like Agency Automatic (1%) Contributions, Matching Contributions are not taken out of your pay. They also do not increase the dollar amount of your pay for income tax or Social Security purposes. Combined with the Agency Automatic (1%) Contribution, they can add as much as five percent of basic pay to your TSP account. (See the chart below.)

Note: CSRS participants do not receive matching contributions. There are no matching contributions for catch-up contributions.



Currently, members of the uniformed services do not receive matching contributions. However, the law that extended participation in the TSP to members of the uniformed services allows the secretary of each individual service to designate particular critical specialties as eligible for matching contributions under certain circumstances. At the time of this writing, no critical specialties had been designated.



Agency Contributions to Your Account (FERS Employees Only)

| You put in: | Your agency puts in: | | And the total contribution is: |
|--------------|-----------------------------|------------------------------|--------------------------------|
| | Automatic (1%) Contribution | Agency Matching Contribution | |
| 0% | 1% | 0% | 1% |
| 1% | 1% | 1% | 3% |
| 2% | 1% | 2% | 5% |
| 3% | 1% | 3% | 7% |
| 4% | 1% | 3.5% | 8.5% |
| 5% | 1% | 4% | 10% |
| More than 5% | 1% | 4% | Your contribution + 5% |

Tax Advantages

You receive a number of tax benefits when you participate in the TSP:

- **Contributions in “before-tax” dollars.** The money you contribute to the TSP is taken out of your pay each pay period before Federal (and, in almost all cases, state) income taxes are calculated. As a result, the amount of pay used to calculate your taxes is reduced, so less money is withheld from your pay for taxes.

| Before-Tax Savings Through the TSP | |
|--|----------|
| Annual pay (<i>taxable income</i>) | \$40,000 |
| Minus TSP contributions (5% of \$40,000) | – 2,000 |
| Net taxable income | 38,000 |
| Minus estimated Federal income tax at 25% | – 4,121 |
| Net spendable income | \$33,879 |

| After-Tax Savings Outside the TSP | |
|---|----------|
| Annual pay (<i>taxable income</i>) | \$40,000 |
| Minus estimated Federal income tax at 25% | – 4,621 |
| Net income after taxes | 35,379 |
| Minus savings (<i>no tax advantage</i>) (5% of \$40,000) | – 2,000 |
| Net spendable income | \$33,379 |

The Difference

If you contributed before-tax money to the TSP, you would have **\$500 more in your pocket.**

(\$33,879 – \$33,379 = \$500)

If you pay taxes at a higher rate than 25%, the advantage of before-tax contributions to the TSP will be even greater.

- **“Tax-deferred” earnings.** You defer paying Federal income tax on the earnings that your account accrues over the years. Generally, the longer you keep your money in the TSP, the more earnings you accrue and the more you benefit from tax-deferred savings.
- **Saver’s Tax Credit.** This credit is available to participants with an adjusted gross income of no more than \$50,000 if married filing jointly, \$37,500 if head of household, or \$25,000 if single or married filing separately. If you participate in the TSP during tax years 2002 through 2006, you may be eligible for up to \$1,000 on your Federal income tax return for each year you contribute.

For more information about this tax credit, consult your tax advisor or refer to Internal Revenue Service (IRS) Publication 553.

Tax Liability

When you withdraw your money from the TSP, you will owe tax on the contributions and earnings that have accrued. However, you will most likely pay those taxes after you retire, when your income, and consequently your tax bracket, may be lower.

In addition to the regular income tax you will have to pay on money you withdraw from the TSP, you may also be subject to an early withdrawal penalty tax of 10%. The early withdrawal penalty tax and the exceptions that apply to it are explained in the TSP tax notice “Important Tax Information About Payments From Your TSP Account” which is available from the TSP Web site.

The tax rules that apply to distributions from the TSP and other tax-deferred plans are complex and you may also want to consult with a tax advisor or the IRS before you make any withdrawal decisions.

The early withdrawal penalty tax:

If you leave before the year you turn 55, you *may* be subject to the 10% early withdrawal penalty tax.

Participants who generally retire early — such as air traffic controllers, law enforcement officers, firefighters, members of the uniformed services, and Foreign Service personnel — will need to consider the early withdrawal penalty tax when planning withdrawals from their TSP accounts.

Don't lose out on Matching Contributions!

If you are a highly paid FERS employee or you participate in the TSP as a FERS employee and as a member of the uniformed services, your contributions may cause you to reach the IRS limit before the end of the year. This means that you could lose out on some Agency Matching Contributions. See the TSP Fact Sheet, Annual Limit on Elective Deferrals, for more details.

Contribution Limits

Both the IRS and the TSP place limits on the amount of contributions that can be made to the TSP. Beginning in 2006, however, the TSP contribution limits will be eliminated and only the IRS limits will apply. (See the chart below.)

The IRS elective deferral limit is a limit that the IRS places on regular employee contributions to retirement plans such as the TSP. The elective deferral limit applies only to regular employee contributions that are made in before-tax (i.e., tax-deferred) dollars.

The IRS section 415 limit is an additional limit that the IRS imposes on the total amount of **all** contributions made to eligible retirement plans in a year. "All contributions" include employee contributions (both tax-deferred and tax-exempt), Agency Automatic (1%) and Matching Contributions, and similar contributions made to **other** eligible retirement plans.

For 2005, the IRS Section 415 limit is \$42,000 or 100% of compensation, whichever is less.

The IRS catch-up contribution limit is the maximum amount of catch-up contributions that can be contributed in a given year. It is separate from the elective deferral limit imposed on regular employee contributions.



The elective deferral limit does not apply to contributions made from the tax-exempt pay a member of the uniformed services may receive. If you are a member of the Ready Reserve who is contributing to both a uniformed services and a civilian TSP account as a FERS employee, this limit applies to the total amount of tax-deferred employee contributions you make in a calendar year.

If you are a member of the uniformed services and have two TSP accounts, or if you are participating in other eligible plans, you need to pay particular attention to the Section 415 limit.



Contribution Limits

| Year | TSP Limit on Regular Contributions | | IRS Limits* | | |
|-----------------------|------------------------------------|-----------------------------|--|---------------------------------|----------------------------------|
| | FERS | CSRS and Uniformed Services | Elective Deferral Limit on Regular Contributions** | Limit on Catch-Up Contributions | Section 415 Limit |
| Through December 2005 | 15% | 10% | \$14,000 | \$4,000 | \$42,000 or 100% of compensation |
| 2006 and thereafter | Limits eliminated | | \$15,000 | \$5,000 | Not announced |

* These amounts can change annually.

** For uniformed services participants, this includes all tax-deferred contributions from basic pay, incentive pay, special pay, and bonus pay.

Moving Money From Other Plans Into the TSP

The TSP can accept transfers and rollovers of eligible distributions from a traditional IRA or another eligible employer plan. This is a way for you to consolidate a 401(k) or similar plan account from a prior employer with your TSP account.

There are two ways to move money from an IRA or another eligible plan into the TSP:

- (1) **Transferring money directly into the TSP.** You can have your IRA or plan send all or part of the money directly to the TSP. This is referred to as a “**transfer**” (or “direct rollover”); or
- (2) **Rolling money over to the TSP.** You can receive the money from your IRA or plan and put it into the TSP yourself. This is referred to as a “**rollover**.” If you decide to do a rollover, you will have **60 days** to complete it, beginning on the date when you receive the funds. You may roll over all or part of the money you receive. However, your IRA or former plan should have withheld the appropriate amount for taxes when it sent the money to you. Therefore, if you want to roll over the **entire** amount of the distribution, you will have to make up the difference (i.e., the amount withheld for taxes) from your own funds. Any amount that you do not roll over will be subject to Federal tax.

Your transfer or rollover will be invested in the TSP according to your latest contribution allocation (not the way money already in your account is invested).

Money you move into the TSP from an IRA or another eligible plan is not subject to any contribution limits.

The money you move into the TSP, and the associated earnings, will be subject to income tax when you eventually withdraw your TSP account.

Restrictions. The conditions under which the TSP will accept a transfer or a rollover are strict.

- The money must be considered an “eligible rollover distribution” for Federal income tax purposes. (Verify this by checking with your tax advisor or the administrator of the plan from which you are moving the money.)
- The TSP will only accept “before-tax” money from IRAs and eligible employer plans.
- You can transfer money into the TSP only if you have an open TSP account (and are not receiving monthly payments from it).
- You cannot open a TSP account by transferring money into it.

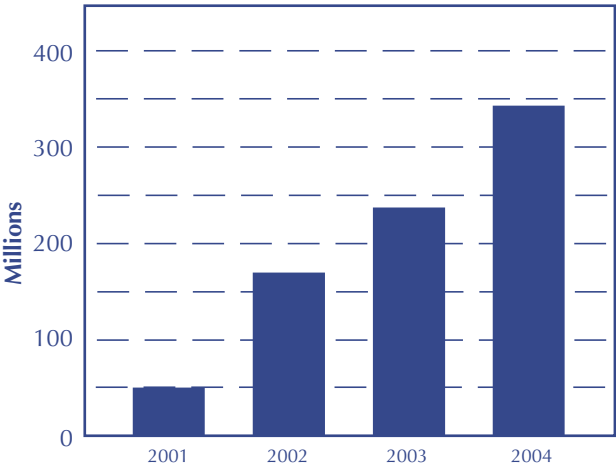
Note: The money you move into the TSP will not be posted to your account until the TSP record keeper receives a properly completed Form TSP-60, Request for Transfer Into the TSP.

Moving money from an IRA or another plan into the TSP?

Make sure you (or your IRA or plan) provide your name and Social Security number (SSN) on or with the check.

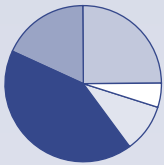
If the TSP cannot identify a check it receives, the check will not be deposited into the TSP participant’s account; instead, the money will be returned to the initiator of the check.

Rollovers and Transfers Into the TSP

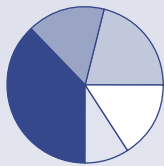


The figures for 2001 are from July 1 – December 31, 2001.

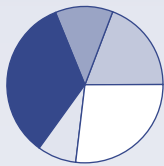
Initial L Fund Allocations



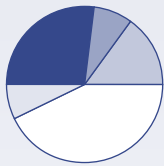
L 2040



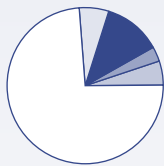
L 2030








L 2020



L 2010



L Income

-  G Fund
-  F Fund
-  C Fund
-  S Fund
-  I Fund

Investing in the TSP

The TSP offers you two approaches to investing your money:

- **The L Funds** — These are “lifecycle” funds that are invested according to a professionally designed mix of stocks, bonds, and Government securities. You select your L Fund based on your “time horizon,” which is when you will need the money after you leave Federal service.
- **Individual Funds** — You make your own decisions about your investment mix by choosing from any or all of the individual TSP investment funds (G, F, C, S, and I).

These investment options are designed so you can choose either the L Fund that is appropriate for your time horizon, or a combination of the individual TSP funds that will support your personal investment strategy. However, you may invest in any fund or combination of funds. Because the L Funds are already made up of the five individual funds, you will duplicate your investments if you invest simultaneously in an L Fund and the individual TSP funds.

The L Funds

The L Funds are designed for participants who may not have the time, experience, or interest to manage their TSP retirement savings.

The five **L Funds** are:

L 2040 — For participants who will need their money in the year 2035 or later.

L 2030 — For participants who will need their money between 2025 and 2034.

L 2020 — For participants who will need their money between 2015 and 2024.

L 2010 — For participants who will need their money between 2008 and 2014.

L Income — For participants who are already withdrawing their accounts in monthly payments or who expect to begin withdrawing by 2008.

The assumption underlying the L Funds is that participants with longer investment time horizons are able to tolerate more risk while seeking higher returns. The funds automatically adjust to reflect a lower tolerance for risk as the investment time horizon approaches.

Each L Fund invests in a mix of the five individual TSP funds. The mix is chosen by experts based on each fund’s time horizon. The L Funds are designed to achieve the best expected return for the least amount of risk. If the time horizon is a long time from now, the L Fund will be more heavily weighted toward stocks (C, S and I Funds). As that fund’s time horizon approaches, the allocation will gradually shift towards Government securities and bonds (G and F Funds).

The L Income Fund is designed to preserve your account balance while protecting against inflation.

Here are the initial investment mixes for each L Fund:

Initial Asset Allocations for L Funds

| | L 2040 | L 2030 | L 2020 | L 2010 | L Income |
|---|--------|--------|--------|--------|----------|
| G | 5% | 16% | 27% | 43% | 74% |
| F | 10% | 9% | 8% | 7% | 6% |
| C | 42% | 38% | 34% | 27% | 12% |
| S | 18% | 16% | 12% | 8% | 3% |
| I | 25% | 21% | 19% | 15% | 5% |

Each L Fund is automatically rebalanced each business day to restore the fund to its intended investment mix. Each quarter,

the fund's asset allocation is adjusted to slightly more conservative investments. When an L Fund reaches its time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

Investing in the L Funds does not eliminate risk and the funds are not guaranteed against loss. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.

The Individual Funds

The TSP has five individual investment funds:

The Government Securities Investment (G) Fund — The G Fund is invested in short-term U.S. Treasury securities. It gives you the opportunity to earn rates of interest similar to those of long-term Government securities with no risk of loss of principal. Payment of principal and interest is guaranteed by the U.S. Government. Interest on the G Fund has historically outpaced inflation and 90-day Treasury (T-Bill) rates.

The Fixed Income Index Investment (F) Fund — The F Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) index. This is a broad index representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market. This fund offers you the opportunity to earn rates of return that exceed money market fund rates over the long term (particularly during periods of declining interest rates).

The Common Stock Index Investment (C) Fund — The C Fund is invested in a stock index fund that tracks the Standard & Poor's (S&P) 500 stock index. This is a broad market index made up of the stocks of 500 large to medium-sized U.S. companies. It offers you the potential to earn high investment returns over the long term.

The Small Capitalization Stock Index (S) Fund — The S Fund is invested in a stock index fund that tracks the Dow Jones Wilshire 4500 Completion (DJW 4500) index. This is a broad market of small and medium-sized U.S. companies that are not included in the S&P 500 index. It offers you the opportunity to earn potentially higher investment returns over the long term than you would in the C Fund, but with greater volatility.

International Stock Index Investment (I) Fund — The I Fund is invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) index. This is a broad international market index, made up of primarily large companies in 21 developed countries. It gives you the opportunity to invest in the international market with the potential to earn high investment returns over the long term.

The chart on page 10 compares these five funds and provides more information about each.

Because the TSP funds are trust funds that are regulated by the Office of the Comptroller of the Currency and not by the Securities and Exchange Commission (SEC), they do not have ticker symbols (i.e., unique identifiers assigned to securities (including mutual funds) registered with the SEC). You can, however, obtain additional information about the underlying indexes that certain TSP funds track by visiting the following Web sites:

| TSP Fund | Index TSP Fund Tracks |
|----------|---|
| F Fund | Lehman Brothers U.S. Aggregate bond index (www.lehman.com) |
| C Fund | Standard & Poor's 500 stock index (www.standardandpoors.com) |
| S Fund | Dow Jones Wilshire 4500 Completion stock index (www.wilshire.com or www.djindexes.com) |
| I Fund | Morgan Stanley Capital International EAFE stock index (www.msci.com) |

Not comfortable with your own level of experience?

Put your investments on cruise control.

- 1 Choose the L Fund with the time horizon closest to the year you anticipate withdrawing your account.
- 2 Make a contribution allocation and/or interfund transfer to invest your contributions in that L Fund.
- 3 Let the L Fund do the rest for you.

Managing Your Investments

Remember that your retirement strategy may change. Periodically, check the way you are investing in the TSP.

Also, if you're taking charge of your own investments, remember to rebalance your account to keep your investments in line with your strategy.

Comparison of the TSP Funds

The chart below provides a comparison of the available TSP Funds. For **more detailed information** about each fund, obtain a copy of the **TSP Fund Information Sheets** (available on the TSP Web site, from your agency or service, or from the TSP Service Office).

| | G Fund | F Fund* | C Fund* | S Fund* | I Fund* | L Funds** |
|--|--|--|--|---|---|--|
| Description of Investments | Government securities (specially issued to the TSP) | Bonds | Stocks of large and medium-sized U.S. companies | Stocks of small to medium-sized U.S. companies (not included in the C Fund) | International stocks | Invested in the G, F, C, S, and I Funds |
| Objective of Fund | To obtain long-term Treasury rates without risk of loss | To match the performance of the Lehman Brothers U.S. Aggregate (LBA) index | To match the performance of the S&P 500 index | To match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) index | To match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) index | To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds |
| Risk (See page 11) | Inflation risk | Market risk Credit risk Prepayment risk Inflation risk | Market risk Inflation risk | Market risk Inflation risk | Market risk Currency risk Inflation risk | Risk based proportionally on risk in underlying funds |
| Volatility | Low | Low to moderate | Moderate | Moderate to high — historically more volatile than C Fund | High — historically more volatile than C or S Funds | Diversification reduces volatility as time horizon approaches |
| Types of Earnings | Interest | Change in market prices Interest | Change in market prices Dividends | Change in market prices Dividends | Change in market prices Change in relative value of currency Dividends | Composite of earnings in the underlying funds |
| Earnings*** as of 12/31/04 | | | | | | |
| 1 Year | 4.3% | 4.3% | 10.8% | 18.0% | 20.0% | N/A |
| 5 Year | 5.0% | 7.7% | -2.3% | N/A | N/A | |
| 10 Year | 5.7% | 7.7% | 12.0% | N/A | N/A | |
| from Inception | 6.7% | 7.7% | 12.1% | 8.5% | 4.5% | |
| Inception Date | April 1, 1987 | Jan. 29, 1988 | Jan. 29, 1988 | May 1, 2001 | May 1, 2001 | August 1, 2005 |
| Cost to participant (i.e., expenses) | .06% (6 basis points) \$.60 per \$1,000 of account balance | .05% (5 basis points) \$.50 per \$1,000 of account balance | .06% (6 basis points) \$.60 per \$1,000 of account balance | .06% (6 basis points) \$.60 per \$1,000 of account balance | .06% (6 basis points) \$.60 per \$1,000 of account balance | Based on costs of underlying funds |

* The F, C, S, and I Funds also have earnings from securities lending income and from temporary investments in G Fund securities. These amounts represent a very small portion of total earnings.

** Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

*** Earnings are calculated after administrative expenses are deducted. There is no guarantee that future rates of return for any fund will replicate historical rates.

Fund Risks

There are various types of risk associated with the TSP funds. There is no risk of investment loss in the G Fund. However, investment losses can occur in the F, C, S, and I Funds. Because the L Funds are invested in the individual TSP funds, they are also subject to the risk of these underlying funds. The types of risk include:

- **Credit risk** — The risk that a borrower will default on a scheduled payment of principal and/or interest. This risk is present in the F Fund.
- **Currency risk** — The risk that the value of a currency will rise or fall relative to the value of other currencies. Currency risk occurs with investments in the I Fund because of fluctuations in the value of the U.S. dollar in relation to the currencies of the 21 countries in the EAFE index.
- **Inflation risk** — The risk that your investments will not grow enough to offset the effects of inflation. This risk is present in all five funds.
- **Market risk** — The risk of a decline in the market value of the stocks or bonds. This risk is present in the F, C, S, and I Funds.
- **Prepayment risk** — A risk associated with the mortgage-backed securities in the F Fund. During periods of declining interest rates, homeowners may refinance their high-rate mortgages and prepay the principal. The F Fund must reinvest the cash from these prepayments in current bonds with lower interest rates, which lowers the return of the fund.

Contribution Allocations and Interfund Transfers

There are two types of investment transactions you can make:

- A contribution allocation
- An interfund transfer

Contribution Allocations. A contribution allocation specifies the way you want to invest the new money that goes into your TSP account. You may make a contribution allocation at any time.

Your contribution allocation will apply to all future contributions to your account. These include: employee contributions; agency contributions you receive if you are a FERS employee; any special pay, incentive pay, or bonus pay that you contribute if you are a member of the uniformed services; any money you move into the TSP from other retirement plans; and any TSP loan payments. Your contribution allocation will not affect money that is already in your account.

Your contribution allocation will remain in effect until you submit another contribution allocation.

Interfund Transfers. An interfund transfer moves the money already in your account among the TSP investment funds. When you make an interfund transfer, you choose the new percent you want invested in each fund. You cannot move a specific dollar amount among the funds.

Making a contribution allocation or interfund transfer. You can make either of these transactions at any time on the TSP Web site or the ThriftLine. You can also submit an Investment Allocation form (TSP-50, or TSP-U-50 if you are a member of the uniformed services) to the TSP.

To make a contribution allocation or interfund transfer on the TSP Web site or the ThriftLine, you will need your 4-digit Personal Identification Number (PIN). (See page 19.) A contribution allocation or interfund transfer made on the TSP Web site or the ThriftLine by 12 noon eastern time is generally processed on the next business day. A contribution allocation or interfund transfer made by submitting an Investment Allocation form will generally take effect within 2 business days of the date the TSP **receives** the form.

What is the difference between a contribution allocation and an interfund transfer?

A “contribution allocation” tells the TSP where to invest the new money it receives from you or your agency. It does not affect the investment of money that is already in your account.

An “interfund transfer” tells the TSP to move money that is already in your account among the different TSP funds. It does not affect the investment of future deposits.

The Web and the ThriftLine are the most efficient ways to make contribution allocations or interfund transfers.

When a little can mean a lot:

Costs are important in saving for your retirement. Even small differences in expenses can, over time, have a dramatic effect on a fund's performance (and the size of your account).

Confirmation of Transaction. You will receive a confirmation of your contribution allocation or interfund transfer in the mail. If you make your request on the Web site, you will have the option of receiving your confirmation via e-mail.

Administrative Expenses

TSP expenses (i.e., the cost of administering the program) include management fees for each investment fund and the costs of operating and maintaining the TSP's record keeping system, providing participant services, and printing and mailing publications.

These expenses are paid from the forfeitures of Agency Automatic (1%) Contributions of FERS employees who leave Federal service before they are vested, and — because those forfeitures are not sufficient to cover all of the TSP's expenses — earnings on participants' accounts.

The effect of administrative expenses (after forfeitures) on the earnings of the G, F, C, S, and I Funds is measured by the expense ratio of each fund. The expense ratio for a fund is the total administrative expenses charged to that fund during a specific period, divided by that fund's average balance for that period.

The administrative expenses associated with the L Funds are those associated with the underlying G, F, C, S, and I Funds, calculated in proportion to their allocations in each L Fund. The L Funds do not have any additional charges.

Your share of TSP net administrative expenses is based on the size of your account balance. For example, the G Fund's expense ratio for 2004 was .06 percent. Therefore, if you invested in the G Fund in 2004, earnings were reduced by \$.60 per \$1,000 of your G Fund balance.

The following chart shows the expense ratios for each of the TSP funds over the last 10 years.

Administrative Expenses

| Year | G Fund | F Fund | C Fund | S Fund | I Fund |
|--------|--------|--------|--------|--------|--------|
| 1995 | .09% | .11% | .10% | — | — |
| 1996 | .08% | .10% | .09% | — | — |
| 1997 | .07% | .08% | .07% | — | — |
| 1998 | .06% | .08% | .07% | — | — |
| 1999 | .05% | .07% | .06% | — | — |
| 2000 | .05% | .07% | .06% | — | — |
| 2001 | .06% | .06% | .06% | .05%* | .05%* |
| 2002 | .06% | .06% | .07% | .07% | .07% |
| 2003** | .10% | .10% | .10% | .10% | .10% |
| 2004 | .06% | .05% | .06% | .06% | .06% |

* The 2001 expense ratios for the S and I Funds are for the period beginning May 2001 (the inception of the S and I Funds) through December 2001.

** The expense ratios for 2003 include the net result of the Agency's settlement of litigation resulting from a termination of its contact with American Management Systems, Inc.

TSP Loans and Withdrawals

Because the purpose of the TSP is to help you save money for your retirement, there are rules that restrict when and how you may take money out of your account while you are still employed.

Once you leave Federal service, however, you can take your money out at any time. However, if you make a withdrawal before you reach age 59½, the IRS may impose a tax penalty on the disbursement.

There are three ways to get your money out of the TSP:

- A loan
- An in-service withdrawal
- A post-separation withdrawal (i.e., a withdrawal after you separate from service)

Loans

Loans are available only to participants who are actively employed, who are in pay status, and who have contributed their own money to the TSP.

When you take a loan, you are borrowing your own contributions and the earnings on those contributions. When your loan is approved, the amount of the loan is removed from your TSP account. As you repay your loan, your loan repayments restore the amount of your loan, plus interest, to your account.

Cost of Taking a Loan. You repay your loan with interest. The interest rate is the interest rate for the G Fund at the time your loan application is processed.

The TSP also charges a processing fee of \$50 for each loan. This fee is used to cover the cost of processing and servicing your loan. It is **deducted from the amount** of the loan that you receive.

Before you take a loan, consider that your loan costs are not limited to the interest and fee that you pay. The cost of a loan can be much more substantial. When you borrow from your account, you miss out on the earnings that might have accrued on the money you borrowed. Even though you must pay the money back to your account with interest, the interest may be less than what you might have earned if you had kept the money in the TSP.

Types of Loans. There are two types of TSP loans:

- A general purpose loan
- A loan for the purchase or construction of a primary residence

You can have only one general purpose and one residential loan outstanding at a time.

Loan amount. The total amount that you borrow is limited to your own contributions and the earnings on those contributions. You cannot borrow less than \$1,000 or more than \$50,000. You can find out the amount you may be eligible to borrow from your TSP account by visiting the TSP Web site or calling the ThriftLine. You can also use the Loan Calculator on the TSP Web site to estimate your loan payment amount before you request a loan.

Documentation. You do not need to provide any type of documentation for a general purpose loan. However, you will need to provide documentation for a residential loan.

Waiting period between loans. You must wait 60 days from the time you pay off one loan until you are eligible to request another loan of the same type.

Considering a loan?

Consider carefully its impact on your TSP account. (See “Cost of Taking a Loan” and the TSP booklet *Loans*.) You should borrow from your retirement account only after you have exhausted all your other options.

Want to make additional payments or make up missed payments?

You can send extra payments directly to the TSP to pay off your loan sooner or to make up missed payments. To ensure that your payments are properly identified, be sure you put your Social Security number and loan number on your payment and attach a Loan Payment Coupon. The coupon is available from the TSP Web site or the TSP Service Office.

Considering an in-service withdrawal?

An in-service withdrawal permanently depletes your retirement savings because you cannot pay this amount back (as you can with a loan).

Be sure you understand the consequences of an in-service withdrawal **before** you take money out of your account.

Read the TSP booklet *In-Service Withdrawals* for more information.

Repaying a loan. Loan repayments are made through payroll deductions. They are deducted from your pay each pay period in the amount on your Loan Agreement.

You can make additional payments or pay off your loan early by check or money order. You can also reamortize your loan to change the amount of your payment, number of payments, or repayment period.

You must repay your general purpose loan within 5 years. Residential loans must be repaid within 15 years.

Consequences of failing to repay your loan. If you do not repay your loan after you separate from service, or if you fail to repay your loan in accordance with your Loan Agreement, the TSP will report a taxable distribution to the IRS and you may owe income taxes on the balance of the loan as well as an early withdrawal penalty.

Spouses' rights. If you are a married FERS or uniformed services participant, your spouse must consent to your loan by signing the Loan Agreement. If you are a married CSRS participant, your spouse will be notified of your loan. These rules apply even if you are separated from your spouse.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Getting information. For a detailed explanation of the TSP loan program, your obligations if you take a loan, and the consequences of not repaying a loan, read the TSP booklet *Loans*. (See Appendix.)

For information about a specific loan, you can check your pay and leave statement, the TSP Web site, or the ThriftLine, or contact the TSP Service Office.

In-Service Withdrawals

In-service withdrawals (i.e., withdrawals from your account while you are still employed) are available to all active participants. The TSP does not charge a fee for making an in-service withdrawal. However, the overall impact on your retirement savings may be significant.

Consequences of Making an In-Service Withdrawal. When you make an in-service withdrawal, you are removing money from your account forever. It **cannot** be put back or repaid to your account. This means that you permanently deplete your retirement savings by the amount of the withdrawal and any future earnings you would have accrued on that money. You must pay Federal income tax on the withdrawal and you may also be subject to a 10% early withdrawal penalty tax. If you make a financial hardship in-service withdrawal, the overall impact can be even greater because you cannot contribute to the TSP for 6 months following your withdrawal. If you are a FERS employee, that means you will also not receive any Matching Contributions during that time.

Types of In-Service Withdrawals. There are two types of in-service withdrawals:

- An age-based in-service withdrawal
- A financial hardship in-service withdrawal

Age-based in-service withdrawal. You can take an age-based in-service withdrawal when you reach age 59½. At that time, you may withdraw part or all of your vested account balance. You can request a dollar amount of \$1,000 or more, or your entire account balance (even if it is less than \$1,000). You are allowed to make only one age-based in-service withdrawal. If you do so, you will not be eligible for a partial withdrawal of your account after you separate from service.

Financial hardship in-service withdrawal. You can make a financial hardship in-service withdrawal if you can certify, under penalty of perjury, that you have a financial hardship as a result of a recurring negative cash flow, legal expenses for separation or divorce, medical expenses, or a personal casualty loss. You may withdraw your contributions and any earnings those contributions have accrued. You can request \$1,000 or more; however, the amount that you request cannot exceed the actual amount of your certified financial hardship.

There is no limit to the number of financial hardship withdrawals you can have. However, each time you make a financial hardship withdrawal, you cannot make another one for 6 months.

Spouses' rights for in-service withdrawals. If you are a married FERS or uniformed services participant, your spouse must consent to your in-service withdrawal. If you are a married CSRS participant, the TSP must notify your spouse before an in-service withdrawal can be made. These rules apply even if you are separated from your spouse.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Taxes on in-service withdrawals. In-service withdrawals are subject to Federal income tax when they are paid. Financial hardship in-service withdrawals may also be subject to an early withdrawal penalty tax if you are younger than age 59½ when you make your withdrawal. For detailed information about the tax rules that apply to in-service withdrawals, see the TSP tax notice "Important Tax Information About Payments From Your TSP Account."

Getting information. For a detailed explanation of the TSP in-service withdrawal program, read the TSP booklet *In-Service Withdrawals*.

For information about a specific in-service withdrawal request, check the TSP Web site or the ThriftLine, or contact the TSP Service Office.

Withdrawals After You Separate

If your vested account balance is **\$200 or more** after you leave Federal service, you can leave your money in the TSP until later (see page 17, "Withdrawal deadline"), or you can withdraw your TSP account.

If your vested account balance is **less than \$200** when you leave Federal service, the TSP will automatically send you a check for the amount in your account. The check will be mailed to the address in your TSP account record. You cannot leave this money in the TSP or make any other withdrawal election.

Types of Post-Separation Withdrawals.

There are two types of post-separation withdrawals:

- A partial withdrawal
- A full withdrawal

Partial withdrawal. You can take out \$1,000 or more, and leave the rest in your account until you decide to withdraw it. You may make only one partial withdrawal from your account. If you made an age-based in-service withdrawal, you are not eligible for a partial withdrawal.

Ready to make a post-separation withdrawal?

Before you make a withdrawal, read the booklet *Withdrawing Your TSP Account After Leaving Federal Service* and the tax notice "Important Tax Information About Payments From Your TSP Account."

Need help estimating an annuity or monthly payments?

If you're considering monthly payments or a TSP annuity, you should compare these benefits to see which one best fits your situation. You can get help by visiting the "Calculators" section of the TSP Web site.

There are calculators to estimate the income you will receive from an annuity, and to determine how long monthly payments might last or how much you might receive each month (if you choose to receive payments based on life expectancy).

Full withdrawal. You can make a full withdrawal of your account using one — or any combination — of three withdrawal options available to you:

- A single payment
- A series of monthly payments
- A TSP life annuity

A single payment allows you to withdraw your entire TSP account at one time in one payment. It is sometimes referred to as a "lump sum."

Monthly payments allow you to withdraw your entire account in a series of payments. You can ask for a specific dollar amount each month or you can have the TSP calculate a monthly payment based on your life expectancy. If you choose a specific dollar amount, it must be at least \$25.

At any time while you are receiving monthly payments, you can ask the TSP to stop the monthly payments and pay you your remaining account balance in a single payment. Also, once a year, you will have the opportunity to make changes to the amount of the monthly payments you are receiving.

An annuity pays a benefit to you (or to your survivor) every month for life. The TSP purchases the annuity on your behalf from a private insurance company. You can have the TSP purchase an annuity with all or any portion of your account when you request a full withdrawal. The amount you use for purchase of an annuity must be \$3,500 or more. Once an annuity is purchased, it cannot be changed.

You have a choice of three basic annuity types:

- A *single life annuity* — paid only to you during your lifetime.
- A *joint life annuity with your spouse* — paid to you while you and your spouse are alive. When one of you dies, payments are made to the survivor for the rest of his or her life.
- A *joint life annuity with someone other than your spouse*, who has an insurable interest in you — paid to you while you and the person you choose are alive. When one of you dies, payments are made to the survivor for his or her life.

If you elect a joint annuity, you can choose between a 50% or 100% payment option to the survivor.

Some additional annuity features may also be available, depending on the basic annuity type you choose. You may be able to request "cash refund," "10-year certain," or "increasing payment" features. The available annuities and their features are explained in detail in the booklet *Withdrawing Your TSP Account After Leaving Federal Service*.

A mixed withdrawal allows you to combine any or all of the three withdrawal options. However, if you request a mixed withdrawal with an annuity, the percentage of your account used to purchase the annuity cannot equal a dollar amount of less than \$3,500.

Spouses' rights for post-separation withdrawals. If you are a married FERS or uniformed services participant, your spouse must consent to your **partial withdrawal**. If you are a married CSRS participant, the TSP must notify your spouse before a partial withdrawal can be made.

If your vested account balance at the time of your **full withdrawal** is more than \$3,500, your withdrawal will be subject to the rules regarding spouses' rights. These rules apply even if you are separated from your spouse:

- If you are a married FERS or uniformed services participant, your spouse is entitled to an annuity with a 50% survivor benefit, level payments (i.e., no increasing payment feature), and no cash refund feature. If you do not use your entire account balance to purchase that particular annuity, your spouse will have to waive his or her right to that annuity.
- If you are a married CSRS participant, the TSP must notify your spouse before it can make your withdrawal, regardless of which withdrawal option you choose.

There are exceptions to these rights. However, the conditions under which an exception is made are very limited. More information about exceptions is provided on the form Exception to Spousal Requirements.

Taxes on withdrawals. Withdrawal payments are subject to Federal income tax when they are paid. They may also be subject to an early withdrawal penalty tax if you are younger than age 59½ when you make your withdrawal. For detailed information about the tax rules that apply to post-separation withdrawals, you should read the TSP tax notice "Important Tax Information About Payments From Your TSP Account."

Getting information. For a detailed explanation of the TSP's post-separation withdrawal program, you should read the booklet *Withdrawing Your TSP Account After Leaving Federal Service*.

For specific information about your withdrawal request, you can check the TSP Web site or the ThriftLine, or contact the TSP Service Office.

Withdrawal deadline. By law, you must withdraw your entire account or begin receiving monthly payments by the TSP withdrawal deadline, which is April 1 of the year after you have reached age 70½ **and** are separated from Federal service. If you do not make an election, your account may be declared abandoned.

At the same deadline, you will also be subject to the IRS required minimum distribution rules. These rules require you to receive a certain portion of your account each year based on your life expectancy. The TSP will send you information about these rules if they apply to you.

For more information about the withdrawal deadline and the IRS required minimum distribution rules, you can read the TSP tax notice "Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions."

Deferring taxes after you withdraw:

Some withdrawals can be transferred from the TSP directly to a traditional IRA or other eligible employer plan. When this is done, you defer paying taxes until you withdraw the money from the IRA or eligible plan.

Read the tax notice "Important Tax Information About Payments From Your TSP Account" for more information and to find out which withdrawals can be transferred.

Is your beneficiary designation up to date?

If you submit a Designation of Beneficiary, review it when your personal situation changes.

Otherwise, in case of your death, the money in your account may not be distributed according to your wishes.

Death Benefits

In case of your death, your account will be distributed to the beneficiary or beneficiaries you designate on the TSP's Designation of Beneficiary form. If you do not designate beneficiaries to receive your account, it will be disbursed according to the following order of precedence required by law:

- To your widow or widower; if none,
- To your child or children equally, and to descendants of deceased children by representation; if none,
- To your parents equally or the surviving parent; if none,
- To the appointed executor or administrator of your estate; if 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.

For this order of precedence, a child includes a natural child and an adopted child, but does not include a stepchild who has not been adopted. A parent does not include a stepparent, unless your stepparent has adopted you. "By representation" means that if your child predeceases you, his or her share will be divided equally among his or her children.

A will or any other document (such as a prenuptial agreement) is not valid for the disposition of your TSP account.

Designating a beneficiary. If you wish, you can designate a person or persons, your estate, or a trust to receive your TSP account after your death. To designate

a beneficiary or beneficiaries, use the Designation of Beneficiary form (TSP-3, or TSP-U-3 for members of the uniformed services). The completed form must be received by the TSP Service Office on or before the date of your death.

Exception: If you separate from service and submit a Request for Full Withdrawal requesting an annuity, and you die **before** annuity payments begin, the amount used to purchase the annuity will be returned to the TSP. The TSP will, if possible, distribute this money consistent with your annuity beneficiary designation.

TSP distribution of death benefits. In order for beneficiaries to receive your account balance after your death, they (or their representatives) must complete the form Information Relating to Deceased Participant (TSP-17, or TSP-U-17 if you are a member of the uniformed services) and send it to the TSP Service Office along with a copy of the certified death certificate.

Once the TSP processes this information and determines the beneficiaries for your account, we will contact them with additional information and instructions.

For detailed information about death benefits, read the TSP booklet *Death Benefits* and the TSP tax notice "Important Tax Information About Thrift Savings Plan Death Benefit Payments."

Other Information About the TSP

Personal Identification Number (PIN)

Your 4-digit TSP PIN, used with your SSN, accesses your TSP account on the TSP Web site and the ThriftLine. You receive your PIN after your first contribution is received by the TSP. You can customize, change, or replace your PIN on the TSP Web site or ThriftLine. Your 4-digit TSP PIN is not the same as PINs for other agency or service systems (e.g., myPay, Employee Self-Service, PostalEASE).

TSP Web Site (www.tsp.gov)

The TSP Web site has current TSP information and materials (e.g., forms, rates of return, share prices, Plan News, and calculators). TSP participants can use their SSN and TSP PIN to view personal account information and perform transactions.

ThriftLine

The toll-free ThriftLine (1-TSP-YOU-FRST (1-877-968-3778)) is the TSP's automated telephone service. It has information such as Plan News, share prices, and loan and annuity rates. You can also opt to speak with a service representative. Use your SSN and TSP PIN to access your account and perform certain transactions.

Participant Statements

The TSP issues statements quarterly (in January, April, July, and October). They cover all transactions in your account during the previous 3 months. If you have any TSP loans, the statement also summarizes your loan activity. You can view or print your statements, or request to have them mailed to you, on the TSP Web site.

Bankruptcy

Your TSP account cannot be garnished to pay debts. But, if you have a TSP loan,

your payments may have to stop if you file for Chapter 13 bankruptcy. For more information, see the Fact Sheet "Bankruptcy Information."

Court Orders

Your TSP account is subject to court orders issued in connection with divorce, annulment, or legal separation, and by laws that enforce alimony and child support payments and judgments against you for child abuse. For more information and sample court order language, read the TSP booklet *Court Orders* and the TSP tax notice "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders."

TSP Administration

Management. The Federal Retirement Thrift Investment Board (Agency), is an independent Government agency that administers the TSP. It is managed by a Presidentially appointed five-member Board and an Executive Director chosen by the Board.

The Agency's record keeper handles the day-to-day maintenance and administration of all TSP accounts and assists participants with specific types of TSP-related problems or questions.

Law. The TSP is established under the Federal Employees' Retirement System Act of 1986 and is codified primarily under Chapter 84 of title 5, United States Code (U.S.C.). The TSP is treated as a qualified trust which is exempt from taxation (see 26 U.S.C. § 7701(j)). Its regulations are published in Chapter VI of title 5 of the Code of Federal Regulations.

Audits. By law, the TSP must be audited annually. You can obtain a copy of the most current audited financial statement from the TSP Web site or by writing to the TSP.

Need a TSP PIN?

The TSP mails you a PIN shortly after your very first contribution is received.

If you need to change or replace your PIN, use the Account Access section of the Web site or call the ThriftLine.

To ensure account security, keep your TSP PIN in a safe location that only you know.

Is your TSP record correct?

Keep your address and other personal information up to date. To correct your address, contact your agency or service if you are employed.

If you are separated, update your address through the Account Access section of the TSP Web site, use a TSP change of address form, or call the TSP Service Office. For other changes or corrections after you separate, contact the TSP Service Office.

Appendix: Getting More Information

TSP forms and materials are available from the Forms & Publications section of the **TSP Web site at www.tsp.gov**, from your agency or service, or from the toll-free **ThriftLine at 1-877-968-3778** or the **TDD at 1-877-847-4385**. (Callers outside the U.S. and Canada who cannot use the toll-free numbers should call 404-233-4400.)

Note: Members of the uniformed services should use the “U”-designated version of forms (e.g., Form TSP-U-1 instead of Form TSP-1). There are no “U” versions of Form TSP-60 or Form TSP-65.)

| Topic | Where to get information | How to do it | Whom to contact if you are: | |
|--|---|--|--|---|
| | | | An active participant | A separated participant |
| Account balance | TSP Web site, ThriftLine, or participant statement | Use Web or ThriftLine Account Access | Your agency or service | TSP Service Office |
| Address (change of) | Summary p. 19 | Active participants: Contact your agency or service Separated participants: Web Account Access, Form TSP-9, or the TSP Service Office | Your agency or service | TSP Service Office |
| Annuity | Summary p. 16; Web Calculator: Annuities; Booklet, <i>Withdrawing Your TSP Account After Leaving Federal Service</i> | Use appropriate sections of Form TSP-70 | | TSP Service Office before purchase; annuity vendor afterwards |
| Bankruptcy | Fact Sheet: Bankruptcy Information | | Your agency or service | TSP Service Office |
| Basic annuity for FERS and CSRS employees | Office of Personnel Management | | Your Personnel or Benefits Office | Office of Personnel Management |
| Basic annuity for the uniformed services | Your service | | Your service | Your service |
| Combining a uniformed services and a civilian TSP account | See info. and instructions on Form TSP-65 | Use Form TSP-65 | TSP Service Office | TSP Service Office |
| Contribution allocations | Summary p. 11; info. and instructions on Form TSP-50 | Use Web or ThriftLine Account Access or Form TSP-50 | Your agency or service or the TSP Service Office | TSP Service Office |
| Contribution limits (TSP and IRS) | Summary p. 6; Web Calculator: Elective Deferral; Fact Sheet: Annual Limit on Elective Deferrals | | Your agency or service | |
| Contributions | Summary p. 2; info. and instructions on Form TSP-1 | Use Form TSP-1 or your agency or service’s electronic version | Your agency or service | |
| Contributions (catch-up) | Summary p. 2; Fact Sheet: Catch-Up Contributions | Use Form TSP-1-C or your agency or service’s electronic version | Your agency or service | |
| Court orders | TSP Booklet: <i>Court Orders</i> ; Tax Notice: Tax Treatment of TSP Payments Made Under Qualifying Orders | Send qualifying court order to the TSP Service Office to begin process | TSP Service Office | TSP Service Office |
| Death benefits | TSP Booklet: <i>Death Benefits</i> ; Tax Notice: Important Tax Info. About Thrift Savings Plan Death Benefit Payments | Beneficiaries should use Form TSP-17, Information Relating to Deceased Participant | Your agency or service or the TSP Service Office | TSP Service Office |

| Topic | Where to get information | How to do it | Whom to contact if you are: | |
|---|---|--|--|-------------------------|
| | | | An active participant | A separated participant |
| Designation of beneficiary | TSP Booklet: <i>Death Benefits</i> ; info. and instructions on Form TSP-3 | Use Form TSP-3, Designation of Beneficiary | TSP Service Office | TSP Service Office |
| Fund information for TSP funds | Summary p. 8; Fund Information Sheets (Web) | | TSP Service Office | TSP Service Office |
| In-service withdrawals | Summary p. 14; TSP Booklet: <i>In-Service Withdrawals</i> ; Tax Notice: Important Tax Info. About Payments From Your TSP Account | Use Web Account Access or Form TSP-75 for age-based withdrawal, Form TSP-76 for financial hardship withdrawal | | |
| Interfund transfers | Summary p. 11; info. and instructions on Form TSP-50 | Use Web or ThriftLine Account Access or Form TSP-50 | TSP Service Office | TSP Service Office |
| Loan payments | TSP Booklet: <i>Loans</i> ; Fact Sheet: Effect of Nonpay Status on TSP Participation; Web Calculator: Loans | | Your agency or service | |
| Loans (general) | TSP Booklet: <i>Loans</i> | Use Web Account Access or Form TSP-20 | TSP Service Office | |
| Name changes | TSP Web site | Separated participants only: Use Form TSP-15 | Your agency or service | TSP Service Office |
| Participant statements (issued quarterly) | Summary p. 19; Leaflet: Understanding Your TSP Participant Statement | Access on TSP Web site, or use Web or ThriftLine Account Access to request to have participant statements mailed | Agency or service for personal, contribution, and loan payment info.; TSP Service Office for other info. | TSP Service Office |
| Personal Identification Number (PIN) | Summary p. 19 | Web or ThriftLine Account Access or Participant Rep. | TSP Service Office | TSP Service Office |
| Required minimum distribution | Tax Notice: Important Tax Info. About Your TSP Withdrawal and Required Minimum Distributions | | | TSP Service Office |
| Shares/share prices | Fact Sheet: Your Shares in the TSP Funds | Obtain current prices from Web or ThriftLine; Web for historical share prices | | |
| ThriftLine | Web/ThriftLine Information Card | 1 (877) 968-3778 | | |
| Transfers into the TSP | Summary p. 7; info. and instructions on Form TSP-60 | Use Form TSP-60 | TSP Service Office | TSP Service Office |
| Web site | Web/ThriftLine Information Card | www.tsp.gov | | TSP Service Office |
| Withdrawals after you leave service | Booklet: <i>Withdrawing Your TSP Account After Leaving Federal Service</i> ; Tax Notice: Important Tax Info. About Payments From Your TSP Account | Use Web Account Access, or, for a full withdrawal, use Form TSP-70; for a partial withdrawal, use Form TSP-77 | | TSP Service Office |
| Withholding on in-service and post-separation withdrawals | Tax Notice: Important Tax Info. About Payments From Your TSP Account | IRS Form W-4P | TSP Service Office | TSP Service Office |

Glossary of Terms

Account Balance — The sum of the dollar balances in each TSP investment fund for an individual account. The dollar balance in each investment fund on a given day is the product of the total number of shares in that fund multiplied by the share price for that fund on that day.

Agency Automatic (1%) Contributions — Contributions equal to 1% of basic pay each pay period, contributed to a FERS participant's TSP account by his or her agency. New FERS employees must serve a waiting period before they become eligible for these contributions.

Annuity — A payment paid to the participant (or to the participant's survivor if the participant elects a joint annuity) each month. Payments continue as long as the participant (or his or her survivor) is alive.

Basic Pay (Civilian) — This pay is defined in 5 United States Code (U.S.C.) 8331.

Basic Pay (Uniformed Services) — This refers to compensation payable under sections 204 and 206 of U.S.C. title 37. Section 204 pay is pay for active duty; section 206 pay (e.g., inactive duty for training (IDT) pay) is pay earned by members of the Ready Reserve (including the National Guard).

Before-Tax Contributions — Contributions of money that has not yet been taxed. Sometimes referred to as "tax-deferred" contributions.

Bond — A debt security issued by a government entity or a corporation to an investor from whom it borrows money. The bond obligates the issuer to repay the amount borrowed (and, traditionally, interest) on a stated maturity date.

Bonus Pay (Uniformed Services) — Generally, a type of special pay, with separate rules for TSP contribution election purposes.

Catch-Up Contributions — Contributions made by payroll deductions by a participant age 50 or older, which are permitted to exceed the TSP contribution limit and the Internal Revenue Service (IRS) elective deferral limit.

Contribution — A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her agency or service.

Contribution Allocation — A participant's choice that tells the TSP how contributions, rollovers, and loan payments that are going into his or her account should be invested among the TSP funds.

Contribution Election — A request by a participant to start contributing to the TSP, to change the amount of contribu-

tions made to the TSP each pay period, or to terminate contributions to the TSP.

Credit Risk — The risk that a borrower will not make a scheduled payment of principal and/or interest.

Civil Service Retirement System (CSRS) — The retirement system for Federal civilian employees who were hired before January 1, 1984. CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

Currency Risk — The risk that the value of a currency will rise or fall relative to the value of other currencies. Currency risk could affect investments in the I Fund because of fluctuations in the value of the U.S. dollar in relation to the currencies of the 21 countries in the EAFE index.

Designation of Beneficiary — The participant's formal indication of who should receive the money in his or her account in case of his or her death. Participants must use the TSP Designation of Beneficiary form.

Elective Deferral Limit — An annual dollar limit placed on tax-deferred TSP employee contributions by the IRS. "Catch-up" contributions made by participants age 50 and older are not subject to this limit, but have a separate IRS limit.

Federal Employees Retirement System (FERS) — The retirement system for Federal civilian employees who were hired on or after January 1, 1984. FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

Fixed Income Investments — Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Full Withdrawal — A post-separation withdrawal of a participant's entire TSP account through an annuity, a single payment, or monthly payments (or a combination of these three options).

Incentive Pay (Uniformed Services) — Pay set forth in chapter 5 of U.S.C. title 37 (e.g., flight pay, hazardous duty pay).

Index — A broad collection of stocks or bonds which is designed to match the performance of a particular market or sector. For example, the Standard and Poor's 500 (S&P 500) is an index of large and medium-sized U.S. companies.

Index Fund — An investment fund that attempts to track the investment performance of an index.

Inflation Risk — The risk that investments will not grow enough to offset the effects of inflation.

In-Service Withdrawal — A disbursement from a participant's account which is available only to participants who are still employed by the Federal Government (or the uniformed services).

Interfund Transfer — The choice made by the participant to reallocate his or her existing account balance among the investment funds.

Market Risk — The risk of a decline in the market value of stocks or bonds.

Matching Contributions — Contributions made by agencies to TSP accounts of FERS employees who contribute their own money to the TSP. (CSRS employees do not receive matching contributions. At present, members of the uniformed services also do not receive matching contributions.)

Mixed Withdrawal — A post-employment withdrawal of a participant's entire account through any combination of an annuity, a single payment, or monthly payments.

Monthly Payments — Payments that the participant elects to receive each month from his or her TSP account after separating from service.

Partial Withdrawal — A one-time post-employment distribution of part of a participant's account balance. A partial withdrawal is participant-elected and is made in a single payment.

Participant Statement — A statement that is furnished to the participant after the end of each calendar quarter. It shows his or her account balance (in both dollars and shares) and the transactions in his or her account during the quarter.

Personal Identification Number (PIN) — A four-digit number that the participant can use (in conjunction with his or her Social Security number) to access his or her own account on the TSP Web site or the ThriftLine. The initial PIN is computer-generated and is sent to the participant shortly after the participant's first contribution is received by the TSP.

Post-Separation Withdrawal — A distribution from a participant's account which is available only to participants who have left Federal service or the uniformed services. Sometimes referred to as a "post-employment" withdrawal. (See also "Withdrawal.")

Reamortization — The process of adjusting the terms of a loan to change the loan payment amount or to shorten or lengthen the repayment term.

Required Minimum Distribution — The amount of money, based on a participant's age and previous year's TSP

account balance, that the IRS requires to be distributed to the participant each year once the participant has reached age 70½ and is separated from service.

Risk (Volatility) — The amount of change (both up and down) in an investment's value over time.

Section 415 Limit — An IRS limit on the amount of money that can be contributed on behalf of a participant to an eligible retirement plan or plans.

Securities — A general term describing a variety of financial instruments, including stocks and bonds.

Single Payment — A payment made at one time. Sometimes referred to as a "lump sum."

Special Pay (Uniformed Services) — Pay set forth in chapter 5 of U.S.C. title 37 (e.g., medical and dental officer pay, hardship duty pay, career sea pay).

Stocks — Equity securities issued as ownership in a publicly held corporation.

Tax-Exempt Contributions — Contributions of money that will never be taxed. Such contributions can be made to the TSP by members of the uniformed services from pay that is covered by the combat zone tax exclusion.

ThriftLine — The TSP's automated voice response system. It provides general news about the TSP and allows participants to access certain information and perform some transactions over the telephone. You also use the ThriftLine to contact participant service representatives at the TSP Service Office.

Time Horizon — The investment time you have until you need to use your money.

Uniformed Services — Uniformed members of the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration serving on active duty, and members of the Ready Reserve or National Guard of those services in any pay status.

Vesting — For a FERS participant, the time in service that he or she must have upon separation from service in order to be entitled to keep Agency Automatic (1%) Contributions and associated earnings. A participant is vested in (entitled to keep) the Agency Automatic (1%) Contribution in his or her account after completing 3 years of Federal service (2 years for most FERS employees in Congressional and certain noncareer positions).

Volatility — See "Risk."

Withdrawal — A general term for a distribution that a participant requests from his or her account. (Includes in-service withdrawal, partial withdrawal, full withdrawal, etc.)

Federal Retirement Thrift Investment Board