FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
805 Fifteenth Street, NW Washington, DC 20005

THRIFT SAVINGS PLAN

May 1989

THRIFT SAVINGS PLAN HIGHLIGHTS FOR PARTICIPANTS

Thrift Savings Fund investments have grown to more than $3 billion and are growing by over $7 million each business day. The number of individual Thrift Savings Plan (TSP) accounts is approximately 1.35 million, which includes about 900,000 FERS and 450,000 CSRS employees.

We are changing the way we inform you about the Plan.

We have developed a comprehensive booklet which will be supplemented every open season with a smaller, simpler pamphlet:

The **Summary of the Thrift Savings Plan for Federal Employees** is your resource for detailed information about the TSP. This Plan Summary will be reissued periodically when there are changes in the Plan. You may obtain a copy from your agency employing office. If you have left Government service, write to the TSP Service Office at the address on your enclosed Participant Statement.

The **Open Season Update** is a brief description of the Plan's features and investment results. It is intended to help you make a Plan decision during the open season. The Update will be revised each open season and given to all employees by their agencies.

Don't lose track of your money.

Be sure to have your agency change your address for your TSP account whenever you move. If you have left Federal service, notify the TSP Service Office of your new address by writing to them at the address on your Participant Statement.

The financial hardship loan has changed.

You can now apply for a financial hardship loan in an amount greater than $1,000. This new loan has replaced the self-certified hardship loan, which was limited to $1,000. The minimum loan amount is still $1,000. The maximum you can borrow depends on your documented need, as well as the other, general requirements described in the booklet, "Thrift Savings Plan Loan Program." The booklet also describes the loans for medical and educational expenses, and for the purchase of a primary residence. You can get the booklet and the Loan Application (Form TSP-20) at your agency employing office.

You may call the TSP Service Office at 504/255-6050 to obtain the new Hardship Loan Application (Form TSP-20-H). Return the completed form to the TSP Service Office. For more information on financial hardship loans, ask your agency employing office for a copy of the Thrift Savings Plan Fact Sheet, "Financial Hardship Loans/Number of Outstanding Loans."

You may now have more than one loan outstanding at any one time.

If you have an outstanding TSP loan, you may now apply for a second loan. The TSP Fact Sheet mentioned above provides more information about second loan requirements.

Interfund transfer information will be mailed in June.

If you are a FERS participant who has made any contributions to your TSP account, you may move a portion of your money among the G, C, and F Funds through an interfund transfer. The TSP Service Office will automatically send you an Interfund Transfer Request (Form TSP-30) with instructions. If you are eligible and do not receive your form by June 30, please contact the TSP Service Office promptly (504/255-6000) to request a form. **If you wish to make an interfund transfer, the TSP Service Office must receive your completed form by August 15, 1989.**

Making Plan Decisions

If you are currently employed by the Federal government, you can make several decisions affecting your TSP account during the open season:

- If you are a participant covered by **FERS** or equivalent retirement plan, you can start to contribute (if you are not already doing so) or change the amount of your contributions. FERS participants who contribute their own money can specify the way their contributions are allocated among the G, C, and F Funds and, as mentioned above, can request an interfund transfer.
- If you are a participant covered by **CSRS** or equivalent retirement plan, you can change the amount of your contributions.

Your agency employing office has the Election Form (TSP-1) to start or change your contributions.

If you have left Federal service, you may decide to withdraw your account or, depending on your eligibility, leave it in the Plan and/or make an interfund transfer. Write to the TSP Service Office at the address on your Participant Statement for the forms you will need to withdraw the funds in your account.

Before you make any Plan decisions, we urge you to read more about the three TSP Funds in the section on investment options in the Plan Summary (pp. 11-16). The following excerpts from the Plan Summary describe the performance of securities like those in the three Funds over the past ten years and the 1988 performance of each Fund. (See your semiannual Participant Statement for recent monthly rates of return of the Funds in which you are invested.)

Thrift Savings Plan Investment Information

The G Fund is managed by the Federal Retirement Thrift Investment Board and consists of investments in short-term nonmarketable U.S. Treasury securities specially issued to the Plan. G Fund investments earn interest at a rate that is equal, by law, to 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 (i.e., risk of nonpayment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (i.e., the risk that investments may fluctuate in value) is minimized by the Board's current policy of investing the G Fund in shorter-term rather than longer-term securities.

The calendar-year total rates of return for the last ten years for G Fund related securities, based on the monthly rates (compounded) for such securities, are shown below. These figures are based on the statutory rate of return and are stated without any reduction for Plan expenses. The table also shows the actual G Fund rate of return (after deducting administrative expenses of the Plan) in 1988, the first full year of G Fund operations. There is no assurance that the future rates of return for the G Fund will resemble any of these rates:

Year	G Fund	Related Securities
1979		9.51%
1980		11.57%
1981		14.18%
1982		13.56%
1983		11.61%
1984		13.13%
1985		11.33%
1986		8.29%
1987		8.73%
1988	8.81%	9.19%
1979-1988 average annual rate of return		11.09%

The C Fund. The Thrift Investment Board has contracted with Wells Fargo Bank, a subsidiary of Wells Fargo & Co., to manage the C Fund. The C Fund is invested primarily in Wells Fargo's Equity Index Fund (a commingled stock index fund with $12.5 billion in assets). The C Fund also includes temporary investments in the G Fund and certain other short-term securities pending purchase of these stocks and to cover liquidity needs such as loans and withdrawals from the Plan.

The Equity Index Fund is designed to replicate the performance of the Standard & Poor's (S&P) 500 stock index and has tracked the index closely since 1974. The calendar-year total rates of return for the Equity Index Fund and S&P 500 stock index for the last ten years are shown below. These rates are stated without deducting administrative, management, and trading expenses. The table also shows the actual C Fund rate of return (after administrative, management, and trading expenses) in 1988. The C Fund stock market investments began on January 29, 1988.

Year	C Fund	Wells Fargo Equity Index Fund	S&P 500 Index*
1979		18.49%	18.53%
1980		32.50%	32.38%
1981		- 4.62%	- 5.10%
1982		21.52%	21.09%
1983		22.37%	22.36%
1984		6.55%	6.12%
1985		32.32%	32.02%
1986		18.49%	18.55%
1987		5.23%	5.23%
1988	11.84%**	16.60%	16.83%
1979-1988 average annual rate of return		16.40%	16.24%

** Wilshire Associates' calculation of the performance of the S&P 500 index.*

*** The C Fund return for the 11-month period, February—December 1988, was 12.06% compared with 11.88% for the Wells Fargo Equity Index Fund.*

The C Fund gives participants the opportunity to diversify their investments and to earn the relatively high investment return sometimes available through stock ownership, while lessening the effect that the poor performance of an individual stock or industry will have on overall investment performance.

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

The F Fund. This Fund, also managed by Wells Fargo, is a bond index fund invested primarily in Wells Fargo's Bond Index Fund (a commingled bond index fund with $0.9 billion in assets). The Bond Index Fund consists primarily of U.S. Treasury, corporate, and Federally-sponsored agency notes and bonds. The F Fund, like the C Fund, may have temporary investments in the G Fund and certain other short-term securities pending purchase of these notes and bonds and for liquidity requirements. The Bond Index Fund is intended to replicate the Shearson Lehman Hutton Government/ Corporate (SLHGC) bond index and has tracked the index closely since the Fund began in 1984.

The calendar-year total rates of return for the Bond Index Fund since it began and the SLHGC bond index for the last ten years are shown below. These rates are shown without deduction of administrative, management, and trading expenses. The table also shows the actual F Fund rate of return (after administrative, management, and trading expenses) in 1988. The F Fund bond market investments began on January 29, 1988.

Year	F Fund	Wells Fargo Bond Index Fund*	SLHGC Bond Index**
1979			2.30%
1980			3.06%
1981			7.26%
1982			31.09%
1983			8.00%
1984		15.06%	15.02%
1985		21.32%	21.30%
1986		15.53%	15.62%
1987		2.25%	2.29%
1988	3.63%***	7.58%	7.58%
1984-1988 average annual rate of return		12.15%	12.16%
1979-1988 average annual rate of return			11.01%

** The Wells Fargo Bond Index Fund was established in 1984.*

*** Shearson Lehman Hutton's calculation of the SLHGC bond index.*

**** The F Fund return for the 11-month period, February—December 1988, was 3.70% compared with 3.98% for the Wells Fargo Bond Index Fund.*

The F Fund offers the opportunity for increased rates of return in periods of generally declining interest rates. At such times, the values of the longer-term bonds held in the F Fund should increase, unlike those of the shorter-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 a negative return, which could result in a loss.

Tracking the indexes. As indicated in the notes to the above tables, the C and F Funds underperformed the Wells Fargo Equity Index Fund and the Wells Fargo Bond Index Fund, respectively, in 1988 primarily because C and F Fund market investments did not begin until January 29, 1988, and thus did not participate in the strong returns for the Wells Fargo funds in January. Administrative expenses, Wells Fargo investment manager fees, and trading costs also reduced C and F Fund returns.

The Board invests balances awaiting transfer to the Wells Fargo index funds in the G Fund or in other short-term securities. Because contributions to the C and F Funds are not invested entirely in the index funds on a daily basis, the performance of the C and F Funds may be somewhat greater or less than the index funds (or the S&P 500 stock index and the SLHGC bond index). Also, returns on the C and F Funds may not exactly track published returns for the S&P 500 stock index and the SLHGC bond index (or the respective index funds), because the published returns generally assume a constant fund balance for the entire period. The C and F Fund returns represent actual dollar earnings allocated to participants and are influenced by cash flows into and out of the Funds, which change the Fund balances during the period. As the C and F Funds grow, their performance should more closely track that of the index funds.

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