



Thrift Savings Plan HIGHLIGHTS

Open Season: May 15 – July 31, 1998



How much is enough?

If you haven't tried to calculate how much your TSP account balance will be at retirement, you are not alone. Although 85% of FERS employees are putting money into their TSP accounts, many have no idea how much they will have at retirement or even how much they *need to have*.

The TSP is the only component of the FERS retirement package over which you have control. The other components — the FERS Basic Annuity and Social Security — are fixed or determined by formula. This means that it is important to give some thought to projecting your retirement needs so you can make adjustments to your TSP savings if you need to. Consider the following steps:

1. Determine your financial needs in retirement. Financial planners estimate that your needs could be anywhere from 65% to 100% of your pre-retirement income; most suggest that you use 70% to 80% when making estimates. In selecting a percentage, consider which of your expenses may or may not change. Will you have completely paid off your mortgage, credit card debts, and other loans? Will you still have children in college? Will you be caring for dependent children or elderly parents? Will you travel? Will you relocate to a less (or more) expensive area of the country, or move to a smaller home? Will you want to work part time? Will part of your income be from your spouse's benefits (which may end with the death of your spouse)? And don't forget to consider the effect of taxes and inflation on your spending power. If you live 20 to 30 years beyond your retirement age, will you have enough?

2. Determine your projected retirement income. As a FERS employee, your Federal retirement plan consists of three components:

- **FERS Basic Annuity** — The formula for calculating your FERS Basic Annuity is *1% of the average of your highest three consecutive years of basic pay times your years of creditable service*. (If you retire at age 62 or later and have at least 20 years of service, a factor of 1.1% is used rather than 1%.) This formula may not take into account the details of your specific situation. Check with your personnel office for assistance in calculating your Basic Annuity benefit. You can also view benefit publications on OPM's Web site at www.opm.gov/asd.
- **Social Security** — The Social Security Administration (SSA) will send you a Personal Earnings and Benefit Estimate Statement at no cost which shows your Social Security earnings history and an estimate of your future benefits. You can request this statement by calling the SSA at (800) 772-1213 or by downloading a request form from the SSA Web site, www.ssa.gov. Remember that, in the coming years, the age for receiving full benefits will be gradually increasing to age 67. If you retire earlier, the amount of your monthly check will be permanently reduced.

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Participants Ask . . .



. . . about account access


Q When will I be able to find out my account balance from the Web site?

A Account balance information is now available on the TSP Web site to participants whose browsers meet TSP security requirements.

Timing. The TSP is a monthly valued plan. Earnings reports for each month are received from the C and F Fund manager on the 4th business day of the following month. Earnings for all three funds are then allocated to the 2.3 million participants' accounts. Account balances as of the end of each month are available on the Web site on the *9th business day* of the following month.

Security of account information.

The TSP has taken several steps to keep your account information secure. First, your TSP Personal Identification Number (PIN) is necessary to access your account information. Second, state-of-the-art encryption technologies are being used. This means that your SSN, PIN, and all information relating to you and your account are scrambled and encoded with a mathematical key during the electronic transfer to the TSP. (Your browser must have Secure Socket Layer (SSL) and US/Canada-only grade 128-bit encryption.) Third, the TSP's response to you does not include identifying information (name, SSN).

You can help keep your TSP account information secure by closing your browser immediately after accessing account information, by keeping your PIN in a secure place, and by changing your PIN if you think someone has learned it. 

How much is enough? *Continued from page 1*

- **Thrift Savings Plan** — You can project the growth of your current TSP account balance and the growth of your future contributions and earnings by using the TSP Web site calculator at www.tsp.gov or by using the tables in the *Summary of the Thrift Savings Plan for Federal Employees* (available from your personnel office). An easy way to see how that money translates into a retirement income stream is to use the TSP annuity factors table in the Plan Summary (or you can download the Annuity Booklet from the TSP Web site). This is not to suggest that a TSP annuity is your only or best option, but the annuity illustrates possible monthly payments from your total account accumulation.

For example, a 40-year old FERS employee, contributing 5% of his \$30,000 salary for 25 years, would have a TSP account balance of \$202,800 at age 65 (assuming a 7% annual rate of return). Based on the current TSP annuity factors, this account balance would provide a monthly annuity income of approximately \$1,725 (or \$20,700 annually) from a single life annuity.


There are other ways to withdraw your TSP account: monthly payments over a specified period of time or for a specified amount, a lump sum withdrawal, or other annuity options. You can also transfer your account to an IRA or other eligible retirement plan and draw it down from there.

3. Determine the shortfall (if any) between your needs and your projected income. To do so, add up the monthly income you will receive from all sources. Then, subtract your monthly income from your monthly needs in retirement.

4. Determine how much additional money you should be saving to meet the shortfall. One way to increase the income from your TSP account is to save more now so you will have a larger account later. However, FERS employees are limited to a maximum contribution of 10% of their basic pay (5% for CSRS), up to the (1998) IRS annual limit of \$10,000. You might also consider how your contributions are allocated to the three funds. If you invest too conservatively, you may find that your account does not grow as much as you would like. For additional information about investment choices, read the *Guide to TSP Investments*.

Many Web sites and commercial software packages can help you determine the "right" amount of savings for retirement. The American Savings Education Council (www.asec.org) has a downloadable worksheet, "Ballpark Estimate," to help you in your savings decisions, as well as an interactive calculator (for browsers that fully support JavaScript). The Calculator page of the TSP Web site provides a link to the ASEC site.

5. Adjust your TSP contribution to meet your retirement goal. If you have determined that your current contribution level is insufficient to meet your retirement expenses, the next step is to complete and submit Form TSP-1, Election Form, during an Open Season to adjust your level of contributions or the way in which those contributions are allocated to the three funds. You can obtain Form TSP-1 from your personnel office or from the TSP Web site. If you already contribute the maximum to the TSP, you may want to consider other investments to increase your retirement savings.

Remember that if you take an in-service withdrawal from your TSP account, the funds in your account are permanently reduced and will not be available for your retirement. Even if you take out and repay a TSP loan, your ending balance available at retirement may be less than it otherwise would have been. Be sure to read "The Cost of TSP Loans" in the *TSP Loan Program* booklet, or download the article from the Forms & Publications page of the TSP Web site, before you take a loan from your TSP account. 

Thrift Savings Plan Investment Information

The Federal Retirement Thrift Investment Board manages the G Fund assets. The Board has contracts with Barclays Global Investors (Barclays) to manage the C and F Fund assets.

Following is a brief description of the three TSP funds.

The G Fund is invested in short-term nonmarketable U.S. Treasury securities that are specially issued to the TSP. The G Fund interest rate equals the average of market rates of return on U.S. Treasury marketable securities outstanding with four or more years to maturity. There is no credit risk (risk of nonpayment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (the risk that investments may fluctuate in value as interest rates change) is eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities. However, G Fund rates of return may well be lower than those of the C and F Funds over the long term.

Table 1 presents the 1988 – 1997 G Fund total rates of return, after deducting administrative expenses of the Plan. Plan expenses reduced the 1997 return by 0.07%, or \$.70 for every \$1,000 of G Fund account balance. There is no assurance that future rates of return for the G Fund will replicate any of these rates.

Table 1

Year	G Fund
1988	8.8%
1989	8.8%
1990	8.9%
1991	8.1%
1992	7.2%
1993	6.1%
1994	7.2%
1995	7.0%
1996	6.8%
1997	6.8%
1988 – 1997 compound annual rate of return 7.6%	

The C Fund is invested in the Barclays Equity Index Fund, a commingled fund that tracks the Standard & Poor's (S&P) 500 stock index. The C Fund gives participants the opportunity to diversify their investments and to earn the relatively high investment return that stocks can provide over the long term, while lessening the effect that the poor performance of an individual stock or industry will have on overall investment performance. The risk of investing in the C Fund is that the value of stocks can decline sharply. The total C Fund return could be negative, resulting in a loss.

Table 2 shows the 1988 – 1997 total C Fund rates of return (after deducting expenses) and the S&P 500 stock index returns. TSP administrative expenses and C Fund investment management fees reduced the 1997 C Fund return by 0.07%, or \$.70 for every \$1,000 of C Fund account balance. There is no assurance that future rates of return for the C Fund will replicate any of these rates.

Table 2

Year	C Fund*	S&P 500 Index
1988	11.8%	16.6%
1989	31.0%	31.7%
1990	- 3.2%	- 3.1%
1991	30.8%	30.5%
1992	7.7%	7.6%
1993	10.1%	10.1%
1994	1.3%	1.3%
1995	37.4%	37.6%
1996	22.8%	23.0%
1997	33.2%	33.4%
1988 – 1997 compound annual rate of return 17.5% 18.1%		

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

The F Fund is invested in the Barclays U.S. Debt Index Fund, a commingled fund that tracks the Lehman Brothers Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, corporate, and mortgage-backed securities sectors of the U.S. bond market. The F Fund offers the opportunity for increased rates of return relative to the G Fund over the long term, especially in periods of generally declining market interest rates. At such times, the values of the longer-term bonds held in the F Fund should increase, unlike those of the short-term securities held in the G Fund. Unlike the G Fund, the F Fund carries credit risk and market risk. Like the C Fund, the F Fund has the potential for negative returns, which could result in a loss.

Table 3 shows the 1988 – 1997 total rates of return for the F Fund (after deducting expenses) and the LBA bond index. TSP administrative expenses and F Fund investment management fees reduced the 1997 F Fund return by 0.08%, or \$.80 for every \$1,000 of F Fund account balance. There is no assurance that future F Fund rates of return will replicate any of these rates.

For more information about the G, C, and F Funds, see the *Summary of the Thrift Savings Plan for Federal Employees*.

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Table 3

Year	F Fund*	LBA Bond Index**
1988	3.6%	7.9%
1989	13.9%	14.5%
1990	8.0%	9.0%
1991	15.7%	16.0%
1992	7.2%	7.4%
1993	9.5%	9.8%
1994	- 3.0%	- 2.9%
1995	18.3%	18.5%
1996	3.7%	3.6%
1997	9.6%	9.7%
1988 – 1997 compound annual rate of return 8.5% 9.2%		

* The first F Fund investment in the bond market occurred on January 29, 1988.

** Through December 1990, the F Fund was invested in the Barclays Bond Index Fund, which tracked the Lehman Brothers Government/Corporate bond index.

Of Interest

A new Loan Application form

for general purpose and residential loans

(TSP-20, revised 2/98) is now available in your agency and on the TSP Web site. Form TSP-20-H, Hardship Loan Application, is no longer valid.



In Nonpay Status? Read This!

If you are in (or changing to) nonpay status *and* you have a TSP loan, your loan payments will stop when your paycheck does. It is *your* responsibility to notify the TSP Service Office of your nonpay status, or your loan may be declared a taxable distribution. This means that your loan balance will be reported to the IRS as taxable income and you may be subject to an early withdrawal penalty.

Notify the TSP Service office by sending a copy of your SF-50, Notification of Personnel Action, or by asking your agency to send Form TSP-41, Notification to TSP of Nonpay Status. See the fact sheet "Effect of Nonpay Status on TSP Participation" and the booklet *TSP Loan Program* for more information. Both are available from the TSP Web site or your personnel office.

To reduce mailing costs, the annual audited TSP financial statements will no longer be included with your May Participant Statement. They are available on the TSP Web site, from your agency personnel office, or upon request from the TSP Service Office, National Finance Center, P.O. Box 61500, New Orleans, LA 70161-1500.

★ TSP Fund Balances ★ as of 3/31/98

G Fund	\$ 26.6 billion
C Fund	\$ 36.7 billion
F Fund	\$ 3.3 billion
Total	\$ 66.6 billion
Participants	2.3 million

Investment Information *Continued from page 3*

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

Table 4

Month	G Fund	C Fund	F Fund
1997			
April	0.6%	6.0%	1.5%
May	0.6%	6.1%	0.9%
June	0.6%	4.5%	1.2%
July	0.6%	7.9%	2.7%
August	0.5%	-5.6%	-0.9%
September	0.5%	5.5%	1.5%
October	0.5%	-3.4%	1.5%
November	0.5%	4.6%	0.5%
December	0.5%	1.7%	1.0%
1998			
January	0.5%	1.1%	1.3%
February	0.4%	7.2%	-0.1%
March	0.5%	5.1%	0.3%
12 months	6.6%	47.8%	11.9%

Need a new PIN?

Call the ThriftLine, **(504) 255-8777**, from a touch-tone telephone.

To request a new PIN— choose **2** (Account Activity). Even though you hear "To use this section of the ThriftLine, you must have your Social Security number and Personal Identification Number ready," don't hang up! Enter your Social Security number. Then follow the prompt to select **1** to replace a "forgotten" PIN. A new, computer-generated PIN will be mailed to the address in your TSP account record. You should receive it within 10 business days.

To customize your PIN— choose **2** (Account Activity) and enter your Social Security number and current PIN. Then select **6** (PIN Change) and follow the prompts to enter your desired PIN. Enter it again to confirm. Your new PIN is effective immediately on the ThriftLine and the next business day on the TSP Web site.

Update on New TSP System

Work is on schedule for the development of the new TSP record keeping system. The new system is expected to be in place in May 2000. At that time, the TSP will switch from monthly to daily valuation, and two new investment funds will be available to TSP participants.

The Small Capitalization Stock Index Investment (S) Fund will track the Wilshire 4500 index, which includes all the common stocks actively traded in the U.S. stock markets, excluding the stocks of the 500 companies in the S&P 500 index. The International Stock Index Investment (I) Fund will track the Morgan Stanley EAFE index, which covers approximately 60% of the stock markets in 21 countries of Europe, Australia, and the Far East.