



NOTES

Why is the TSP offering the L Funds?

The L Funds are being offered for those TSP participants who may not have the time, interest, or experience to manage their own accounts. The L Funds provide professionally determined investment mixes based on their time horizons. They are simple to use — think cruise control.

What are the L Funds?

There are five L Funds named for various time horizons (i.e., when participants will need the money in their accounts after they leave Federal Service): the L 2040, L 2030, L 2020, L 2010, and L Income Funds.

What are lifecycle funds?

The basic assumption of lifecycle funds is that investors with longer time horizons (the date that investors expect to start withdrawing their money) can invest more aggressively to seek higher rates of return, while those with shorter time horizons should invest more conservatively in order to preserve assets while still providing protection against inflation. A lifecycle fund's investment mix gradually becomes more conservative as the date investors need their money approaches. By the time they begin making withdrawals, a lifecycle fund is made up primarily of low-risk investments.

How are the L Funds invested?

Each L Fund, based on its specific time horizon, invests in a professionally determined investment mix of the individual TSP funds — the G, F, C, S, and I Funds. L Funds with longer time horizons will be invested more heavily in stocks (the C, S, and I Funds), and those with shorter time horizons will be invested more heavily in a combination of Government securities and bonds (the G and F Funds).

Investment mix information — Information Sheet and L Fund Web pages

How do they work?

Each L Fund's investment mix adjusts gradually over time — shifting automatically to a more conservative investment mix as it gets closer to its time horizon. Each L Fund is rebalanced each business day to its target investment mix and is adjusted quarterly to a more conservative investment mix as its time horizon approaches.

Who decides the investment mix for each fund?

The five L Funds were designed for the TSP by Mercer Investment Consulting, Inc. The investment mixes are based on Mercer's economic assumptions regarding future investment returns, inflation, economic growth, and interest rates.

What's the risk that I'll lose money?

The L Funds have the same risks as those of the five underlying funds. The L Funds are not guaranteed against loss, and investing in them does not eliminate risk. There is no guaranteed rate of return for any period, either short-term or long-term.

Why are the L Funds better than managing my account myself?

Everything is automatic with the L Funds. You don't have to remember to rebalance your account periodically or adjust your asset allocations over time. Your account continues to be optimally invested for your time horizon with professionally determined investment mixes.

How much extra does it cost to invest in the L Funds?

There are no added costs to investing in the L Funds. In other words, it costs you no more than investing in the five existing TSP funds. The administrative expenses for an L Fund will be based on the administrative expenses of the G, F, C, S, and I Funds in proportion to their allocations in each L Fund.

Which L Fund is best for me?

To select your L Fund, decide when you'll need your money after you leave Federal service. This is your time horizon. Then choose the L Fund with the time horizon closest to your own time horizon.

Fund	Time Horizon
L 2040	2035 or later
L 2030	2025 through 2034
L 2020	2015 through 2024
L 2010	2008 through 2014
L Income	Sooner than 2008

What is the L Income Fund?

The L Income Fund is a fund designed to produce current income for participants who are already receiving money from their accounts through monthly payments, and for participants who plan to withdraw or begin withdrawing their accounts before 2008. The investment mix of the L Income Fund — primarily Government securities — does not change over time. It is simply maintained through daily rebalancing.

If I start investing in the L Funds, can I transfer out whenever I want to?

Yes. You can transfer your money out of your L Fund and into the other TSP funds at any time.

Can I invest in the other TSP funds at the same time as investing in the L Funds?

Yes. You can invest any portion of your account in the L Funds, and you can invest in the individual TSP funds as well. However, the L Funds are designed so that 100% of your TSP account should be invested in the single L Fund that most closely matches your time horizon. Any other use may result in an asset allocation not necessarily suited to your time horizon, and provide a less than optimal return and a higher amount of risk in your investments.

How do I begin investing in an L Fund?

There are two transactions you can make:

- Change your current contribution allocation to invest future contributions.
- Complete an interfund transfer to move your existing TSP account balance.

What effect does a loan or withdrawal have on my account if I'm invested in both the individual TSP funds and an L Fund?

L Funds are treated the same as the individual TSP funds with regard to loans or withdrawals. When your loan or withdrawal is disbursed, the money is deducted proportionally from each of the funds in which you are invested. Loan payments will be returned to your account proportionally as well.