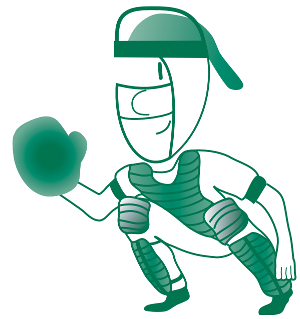
Thrift Savings Plan
HIGHLIGHTS
May 2003

Open Season: April 15 – June 30

Inside . . .

Catching Up on "Catch-Up" Contributions



Beginning in July, Thrift Savings Plan participants age 50 and over will be eligible to make a new type of tax-deferred contribution to the TSP. These "catch-up" contributions are in addition to regular TSP contributions.

Am I eligible to make catch-up contributions? You are eligible if you are a Federal employee or a member of the uniformed services who will be age 50 or older during 2003, and you are already contributing the maximum amount of regular TSP contributions for which you are eligible. The maximum amount of regular contributions for 2003 is 13 percent of basic pay for FERS employees and 8 percent of basic pay for CSRS employees and members of the uniformed services, or, for highly paid employees, an amount which will result in reaching the IRS elective deferral limit ($12,000 for 2003) by the end of the year.

How much can I invest in catch-up contributions? In 2003, eligible participants may invest up to $2,000 in catch-up contributions. That amount will increase to $3,000 for 2004, $4,000 for 2005, and $5,000 for 2006. Subsequent years will be indexed to inflation.

When can I start making catch-up contributions? You can submit your election to make catch-up contributions in July, or anytime thereafter. You don't have to wait for a TSP open season. Elections made in July will be effective in August; thereafter, elections will be effective the first pay period after your agency or service receives your request.

How do catch-up contributions work? Your catch-up contribution will be taken as a payroll deduction from your basic pay each pay period. Contributions will be invested in the TSP funds according to your most recent contribution allocation. You will be able to change, stop, or restart your catch-up contributions at any time. Your contributions will automatically stop when you reach the maximum dollar limit allowed for catch-up contributions for the year. You must make a new election each calendar year if you want catch-up contributions to continue. Your agency does not match catch-up contributions.

How do I sign up to make catch-up contributions? Complete Form TSP-1-C, Catch-Up Contribution Election (or Form TSP-U-1-C, if you have a uniformed services TSP account), and submit it to the personnel or payroll office responsible for processing your election. Beginning in July, you can obtain a copy of the form from the TSP Web site, www.tsp.gov, or from your agency or service. Some agencies may be using an electronic version of the form. Check with your agency or service for guidance.

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PIN Points. When you started contributing to your account, the TSP sent you a Personal Identification Number (PIN).

You can use it to access your account on the TSP Web site (www.tsp.gov) or the ThriftLine (504-255-8777). (Your TSP PIN will not work on other systems, such as PostalEASE, Employee Express, and MyPay.)

Using your Social Security number and your PIN, you can review your account balance, request an interfund transfer, change your contribution allocation, or review the status of your loan or withdrawal.

You can also change your assigned PIN to a PIN of your choice. The change will be effective immediately. If you lose or forget your PIN, you can request a replacement; however, you will not be able to access your account until you receive your replacement PIN in the mail.

TSP Fund Balances

as of 3/31/2003

G Fund	$ 52.0 billion
F Fund	$ 13.0 billion
C Fund	$ 37.7 billion
S Fund	$ 1.3 billion
I Fund	$ .5 billion
Total	$104.5 billion
Participants	3.1 million

Participants Ask . . .

. . . about beneficiaries

Q Do I need to designate a beneficiary for my TSP account?

A It is only necessary to designate a beneficiary if you want your TSP account to be paid to someone **other than** those specified in the following "order of precedence":

- To your widow or widower.
- If none, to your child or children equally, and descendants of deceased children by representation.
- If none, to your parents equally or to 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.

A will is not valid for determining the disposition of your TSP account.

Q How do I designate a beneficiary?

A Complete a Designation of Beneficiary (Form TSP-3 for civilians; Form TSP-U-3 for members of the uniformed services), which is available from your agency or service or from the TSP Web site. Send your completed form directly to the TSP Service Office. Your participant statement should indicate whether you have submitted a Designation of Beneficiary and the date you signed it.

It is a good idea to review and update your Designation of Beneficiary whenever your personal situation changes (for example, as a result of marriage, birth or adoption of a child, or divorce).

"Catch-Up" Contributions *(Continued from page 1)*

Are there any special rules for members of the uniformed services who make catch-up contributions? Yes. Members of the uniformed services may contribute only from taxable basic pay. They may not contribute from tax-exempt basic pay (earned while serving in a combat zone), or from bonus pay, special pay, or incentive pay.

Are there circumstances when my catch-up contributions must stop? Yes. If you are in nonpay status or within the six-month period following a financial hardship in-service withdrawal, you are not eligible to make catch-up contributions.

In the Ready Reserve?

(We've got you covered, coming and going.)

If you are a member of the Ready Reserve and your Reserve status changes to active duty, there are some things you need to know about your TSP account.

If you have a uniformed services TSP account:

- *Your contributions will continue in the percentage you elected* when you were receiving Reserve pay. This means, however, that when your uniformed services pay increases as a result of active duty, the amount you contribute to the TSP also increases. You may find that you need to adjust this amount, and you can do so during the first 60 days of active duty or during a TSP open season. (Of course, you can stop your contributions at any time, but you will have to wait for the second open season after you stop to reinstate them.)
- *Pay you receive while serving in a combat zone is tax-exempt, and your contributions to the TSP will also be tax-exempt.* Unlike the regular tax-deferred contributions you make to the TSP, tax-exempt contributions are not taxed — even when you withdraw them. Also, they are not subject to the elective deferral limit ($12,000 in 2003). They do, however, count toward the Internal Revenue Code section 415 limit which allows you to contribute a maximum amount ($40,000 in 2003) of combined tax-exempt and tax-deferred contributions into all eligible retirement plans for the year.
- *If you have taken a loan from your uniformed services account, you should ensure that loan payments continue to be deducted* from your uniformed services pay when your status changes.
- *Your loan payments will **not** increase when your pay increases. They will continue to be made according to your original loan agreement.* Although you may wish to reamortize your loan to increase your payment while you are on active duty and your pay is higher, remember that currently you can only reamortize your loan one time. You may find that you are unable to continue your higher loan payments when you return to Reserve status. This would cause you to default on your loan, resulting in a taxable distribution of the outstanding loan balance and an early withdrawal penalty tax if you are under age 59½.

If you have a civilian TSP account:

- *When you are placed in nonpay status, you cannot contribute to your civilian TSP account. However, when you return to Federal civilian employment, you can make up missed contributions* from your future pay for the period of time you were on active duty.

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Ready Reserve *(Continued from page 2)*

- *If you do not already have a uniformed services TSP account, you can open one* (within 60 days of your change in duty status, or during a TSP open season) and continue making contributions to the TSP during your period of active duty.
- If you are a FERS employee and you were eligible for agency contributions during your civilian nonpay period, *your agency must deposit retroactive Agency Automatic (1%) Contributions* (based on what your civilian basic pay would have been) when you return to Federal civilian employment. If you also have a uniformed services TSP account and you contributed to it from active duty basic pay, *you are also entitled to Agency Matching Contributions* when you return. If you did not contribute to your uniformed services account while on active duty, your agency will contribute matching contributions based on the employee contributions you make up when you return.
- *When you return to civilian service, make sure your agency restarts your TSP contributions to your civilian account.* If you are still a member of the Ready Reserve, you can also continue to contribute to your uniformed services account from your Reserve pay, as long as you do not exceed total contribution limits.
- *If you have taken a loan from your civilian TSP account, loan payments will be suspended* for the period of time you are in approved nonpay status. However, interest will continue to accrue on your loan. The TSP will extend your loan repayment period by the amount of time you were on active duty, **if** it is indicated on one of the following that your civilian nonpay status is due to military service:
  - Form TSP-41, Notification to TSP of Nonpay Status; or
  - Standard Form 50, Notification of Personnel Action; or
  - a letter from your agency on agency letterhead; or
  - a copy of your orders.

  When you return to Federal civilian service, you or your agency must submit documentation to the TSP that specifies the ending date of your active duty so that correct loan payments can resume.

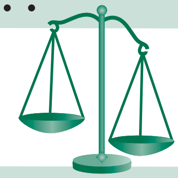
  If military service is **not** specified as the reason for your nonpay status, the TSP will suspend loan payments only up to one year, after which your remaining loan balance will be considered a taxable distribution and you will be liable for taxes on the outstanding amount, and possibly an early withdrawal penalty tax.

If you have an active private-sector retirement account and your Reserve status changes to active duty:

- *You can make up contributions to your private-sector employee retirement plan* when you return to your civilian job. Be sure to notify your employer as soon as you are aware of your orders for active duty so that your retirement savings and any loans you may have are handled appropriately before you leave for active duty.
- *Whether or not you participate in an eligible employer plan* through your civilian employer, you should consider taking advantage of this opportunity to save for retirement through the TSP.

For more information, see the TSP Fact Sheets "Effect of Nonpay Status on TSP Participation" and "TSP Benefits That Apply to Members of the Military Who Return to Federal Civilian Service," which are available on the TSP Web site (www.tsp.gov). If you have a TSP loan, refer to the booklet *TSP Loan Program*, also available on the TSP Web site. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) can be found in the E-Laws section of the Department of Labor's Web site (www.dol.gov).

Feeling . . .



. . . "Unbalanced"?

Every now and then it's a good idea to check your fund balances to see if the distribution of your TSP investments reflects your goals and to make sure you're not exposed to more risk than you can tolerate. If what you find makes you feel a bit "unbalanced," here's what you can do:

You can make an *interfund transfer* to redistribute your existing account balance among the five TSP funds. You might want to use this option if market changes have significantly altered your fund balances and you want to restore your account to the proportions you prefer. Or you can make an interfund transfer to diversify (or consolidate) your investments. However, you may prefer to make a series of transfers over time, rather than making one large transfer on a single day. This strategy will limit your exposure to market risk; that is, the risk that if you make one large transfer, the entire amount would be subject to short-term market conditions.

You can change your *contribution allocation* to affect the distribution of new money coming into your account (payroll contributions, loan payments, and transfers from other plans) by designating the percentage you want invested in each of the five TSP funds. This approach to rebalancing takes greater advantage of "dollar-cost averaging" than a series of interfund transfers.

You can make an interfund transfer or change your contribution allocation on the TSP Web site, www.tsp.gov, the ThriftLine at (504) 255-8777, or Form TSP-50, Investment Allocation (Form TSP-U-50, if you are a member of the uniformed services).

For more information about rebalancing your account, read the *Guide to TSP Investments*, which is available from your agency or service, or the TSP Web site.

Thrift Savings Plan Investment Information

TSP participants may invest in any or all of five TSP funds — the G, F, C, S, and I Funds. The Federal Retirement Thrift Investment Board manages the G Fund investments. The Board has contracts with Barclays Global Investors to manage the F, C, S, and I Fund investments.

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. TSP administrative expenses reduced the 2002 G Fund return by 0.06%, or $.60 for every $1,000 of G Fund account balance.

The F Fund is invested in the Barclays U.S. Debt Index Fund, a commingled fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, Federal agency, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market. TSP administrative expenses and F Fund investment management fees reduced the 2002 F Fund return by 0.06%, or $.60 for every $1,000 of F Fund account balance.

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, which includes stocks of 500 large and medium-size companies that are traded in the U.S. stock markets. TSP administrative expenses and C Fund investment management fees reduced the 2002 C Fund return by 0.07%, or $.70 for every $1,000 of C Fund account balance.

The S Fund, established in May 2001, is invested in the Barclays Extended Market Index Fund, which tracks the Wilshire 4500 stock index. It consists of the stocks that are actively traded in the U.S. stock markets except those in the S&P 500 index. TSP administrative expenses and S Fund investment management fees reduced the 2002 S Fund return by 0.07%, or $.70 for every $1,000 of S Fund account balance.

The I Fund, established in May 2001, is invested in the Barclays EAFE Index Fund, a commingled fund that tracks the EAFE (Europe, Australasia, Far East) stock index. The EAFE index, comprising 21 countries, consists of the stocks of companies that are large relative to the size of the stock markets of their countries and industries. TSP administrative expenses and I Fund investment management fees reduced the 2002 I Fund return by 0.05%, or $.50 for every $1,000 of I Fund account balance.

For more information about the funds, see the *Summary of the Thrift Savings Plan for Federal Employees* or the *Summary of the Thrift Savings Plan for the Uniformed Services*. Monthly rates of return for the funds are available on the TSP Web site, www.tsp.gov.

Rates of Return for the G, F, C, S, and I Funds and Related Indexes*

Year	G Fund %	F Fund %	LBA Bond Index %	C Fund %	S&P Index %	S Fund %	Wilshire 4500 Index %	I Fund %	EAFE Index %
1993	6.1	9.5	9.8	10.1	10.1	–	14.6	–	32.7
1994	7.2	– 3.0	– 2.9	1.3	1.3	–	– 2.7	–	7.8
1995	7.0	18.3	18.5	37.4	37.6	–	33.5	–	11.3
1996	6.8	3.7	3.6	22.8	23.0	–	17.2	–	6.1
1997	6.8	9.6	9.7	33.2	33.4	–	25.7	–	1.5
1998	5.7	8.7	8.7	28.4	28.6	–	8.6	–	20.1
1999	6.0	– 0.8	– 0.8	21.0	21.0	–	35.5	–	26.7
2000	6.4	11.7	11.6	– 9.1	– 9.1	–	– 15.8	–	– 14.2
2001	5.4	8.6	8.4	– 11.9	– 11.9	– 2.2**	– 9.3	– 15.4**	– 21.4
2002	5.0	10.3	10.3	– 22.0	– 22.1	– 18.1	– 17.8	– 16.0	– 15.9
Compound Annual Rates of Return 1993 – 2002									
	6.2	7.5	7.5	9.3	9.3	–	7.3	–	4.0
Monthly Returns for 2003									
Jan.	0.3	0.1	0.1	– 2.7	– 2.6	– 2.4	– 2.2	– 4.2	– 4.2
Feb.	0.3	1.4	1.4	– 1.5	– 1.5	– 2.6	– 2.5	– 2.3	– 2.3
Mar.	0.3	– 0.0	– 0.1	1.0	1.0	1.6	1.5	– 1.9	– 2.0

* The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, and I Funds, after deduction of trading costs and accrued investment management fees. The returns for the four indexes shown do not include any deduction for administrative expenses, trading costs, or investment management fees.

** The S and I Funds were implemented in May 2001; therefore, there are no returns for these funds for earlier periods. Returns shown for 2001 for the S and I Funds are for May through December.

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