THRIFT SAVINGS PLAN

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

November 1989

THRIFT SAVINGS PLAN HIGHLIGHTS FOR PARTICIPANTS

TSP Open Season. The TSP Open Season is November 15, 1989—January 31, 1990. During this period, employees covered by FERS, CSRS, or equivalent retirement plans can sign up to contribute their own money to the Plan or change the amount of their contributions. FERS employees can specify how they want their contributions divided among the three TSP Funds. Ask your agency employing office for a copy of the Election Form (TSP-1).

1990 FERS investment options. FERS employees can choose to direct up to 60% of their own contributions to the TSP stock or bond (C or F) funds in 1990. The remaining 40% must be kept in the Government securities (G) fund. Use Form TSP-1 to allocate your contributions among the Funds.

Interfund transfers. Active and separated FERS participants who have contributed their own money to the Plan may move a portion of their previous contributions and earnings among the G, C, and F Funds through an interfund transfer. (Separated participants who are withdrawing their account balances in equal payments may not make interfund transfers.)

If you are eligible, the TSP Service Office will mail you an Interfund Transfer Request (Form TSP-30) in December. If you do not receive this form by December 31, contact the Service Office to request one (504/255-6000). To make an interfund transfer, the TSP Service Office must **receive** your completed form by February 15, 1990.

Information about the Plan. Before making a decision about the Plans's features and options, please review these materials:

- **Open Season Update, November 15, 1989—January 31, 1990.** The Update is a handy guide to the features of the Plan and the three Funds. All active employees should receive the Update from their agencies. If you have not received a copy, contact your agency employing office.
- **Summary of the Thrift Savings Plan for Federal Employees.** The Plan Summary, issued in March 1989, provides detailed information about the Plan. If you would like the Plan Summary, ask your agency employing office for a copy. Or, if you have left Government service, contact the TSP Service Office at the address on your Participant Statement for a copy.

New Participant Statement format. The format of the Participant Statement has been improved to show the value of your account each month. The monthly values are reflected in the new Month-End Balances (MEB) on your statement. No changes have been made in the actual calculation of earnings or in the processing of account activity.

Like many similar plans, TSP uses a monthly valuation process, which means that earnings are credited to your account balance at the end of each month. As a result of this process, transactions are properly valued only after the calculation of monthly earnings. Loans, withdrawals, and transfers must reflect this valuation in order to ensure that they are made in the proper amounts. These transactions are shown on the statement right after earnings and are reflected in the Month-End Balance. Loan and withdrawal checks are sent in the middle of the month following the month shown on the statement. Participants do not receive earnings on amounts of loans and withdrawals in the month checks are sent.

Your Participant Statement now shows six full months (May—October or November—April) rather than partial months for the first and last months of the statement period. To make this transition, the enclosed statement overlaps your May 1989 statement (which covered the period through May 15, 1989). Your earnings for April 1989, and loans and withdrawals with a May 15 process date that were reported on your last statement, are reflected in your April 1989 Month-End Balance, which is the beginning balance for the new statement. This beginning balance may differ from the ending balance on your May 1989 statement because of the overlap in reporting periods. Contributions and adjustments with May 1-15 process dates are repeated in the enclosed statement. Future statements will show no overlap.

Do you have a new address? If you have moved or plan to move, be sure that your address is correct for your TSP account. If you are currently employed, only your agency can correct your address for your TSP account. If you have left Federal service, notify the TSP Service Office of any change in your address.

Have you left Federal service? If you have left Federal service and the Separation Status on your Participant Statement is not "S" (Separated) or "R" (Retired), contact your former agency employing office immediately. Ask them to correct your Separation Code, to submit Form TSP-18, Validation of Retirement Information, and to send you a withdrawal package if you need one.

TSP loan reminder. The Loan Application (Form TSP-20), available from your agency employing office, is used only to apply for medical, education, or residential loans. To apply for a financial hardship loan, call the TSP Service Office at 504/255-6050 and ask for the Hardship Loan Application (Form TSP-20-H).

Protecting your beneficiaries. If you have not already done so, complete Form TSP-3, Designation of Beneficiary. This form will ensure that, in the event of your death, your account balance will be distributed to the persons you want to receive it. Ask your agency employing office for a copy of the form; if you have left Federal service, contact the TSP Service Office.

Thrift Savings Plan Investment Information

Following is a brief description of the three TSP Funds and the performance of securities like those in the Funds over the past ten years, as well as the performance of each Fund in 1988 and during the 12 months through September 1989.

The G Fund is managed by the Federal Retirement Thrift Investment Board. It is invested in short-term nonmarketable U.S. Treasury securities that are 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 (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 minimized by the Board's current policy of investing the G Fund in short-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 deducting 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 monthly G Fund rates of return (after expenses) for the 12 months through September 1989 are presented in the following table. These rates were used in the monthly allocation of earnings to participants' accounts.

Actual Rates of Return for the G Fund	
1988	
October	0.75%
November	0.68%
December	0.74%
1989	
January	0.76%
February	0.67%
March	0.78%
April	0.75%
May	0.76%
June	0.70%
July	0.69%
August	0.66%
September	0.68%
12 months	8.96%

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 $16.6 billion in assets). The C Fund also includes temporary investments in the G Fund and certain other short-term securities pending investment in the Equity Index Fund 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 the 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 1988 C Fund rate of return, after deducting expenses. 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%

*Calculated by Wilshire Associates.

The monthly C Fund rates of return (after expenses) for the 12 months through September 1989 are presented in the following table. These rates were used in the monthly allocation of earnings to participants' accounts.

1988	C Fund	Wells Fargo Equity Index Fund*
October	2.53%	2.73%
November	- 1.23%	- 1.43%
December	1.78%	1.82%
1989		
January	7.14%	7.32%
February	- 2.51%	- 2.47%
March	2.21%	2.30%
April	5.14%	5.20%
May	3.98%	4.02%
June	- 0.58%	- 0.55%
July	8.83%	9.00%
August	1.98%	1.91%
September	- 0.29%	- 0.40%
12 months	32.37%	32.93%

*Tracks the S&P 500 index.

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 deducting administrative, management, and trading expenses. The table also shows the actual F Fund rate of return in 1988, after expenses. 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%

*Established in 1984.
**Calculated by Shearson Lehman Hutton.

The monthly F Fund rates of return (after expenses) for the 12 months through September 1989 are presented in the following table. These rates were used in the monthly allocation of earnings to participants' accounts.

1988	F Fund	Wells Fargo Bond Index Fund*
October	1.68%	1.75%
November	- 1.09%	- 1.15%
December	0.31%	0.32%
1989		
January	1.27%	1.33%
February	- 0.68%	- 0.74%
March	0.50%	0.53%
April	2.05%	2.11%
May	2.42%	2.51%
June	3.19%	3.27%
July	2.06%	2.11%
August	- 1.48%	- 1.55%
September	0.37%	0.44%
12 months	11.01%	11.34%

*Tracks the SLHGC bond index.

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 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 a negative return, which could result in a loss.

Tracking the indexes. The C and F Funds underperformed the Wells Fargo funds in 1988 primarily because C and F Fund market investments did not begin until January 29, 1988, and thus missed the strong Wells Fargo returns in January. Administrative expenses, Wells Fargo investment manager fees, and trading costs also reduced C and F Fund returns.

The Board temporarily invests C and F Fund contributions in the G Fund or other short-term securities while they are awaiting transfer to the Wells Fargo stock and bond index funds. Because these contributions 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. 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 Wells Fargo 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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