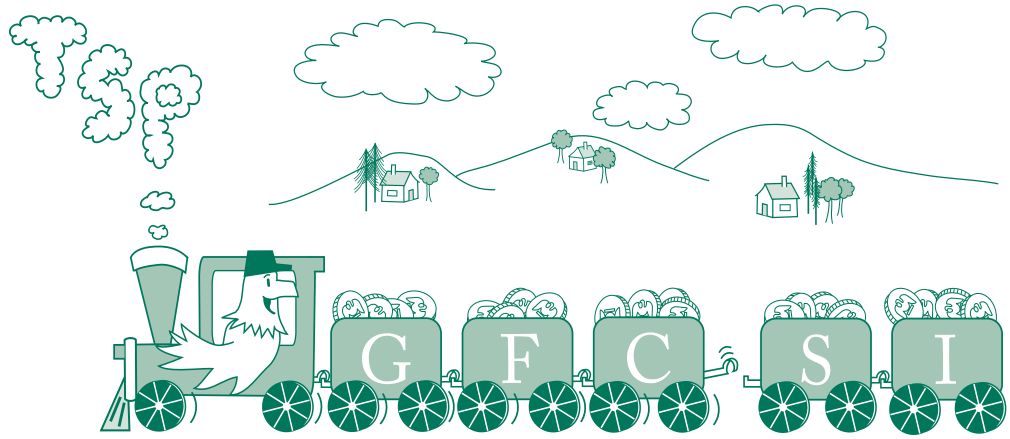
November 2000

Thrift Savings Plan
HIGHLIGHTS

Open Season: November 15 – January 31



Here come the S and I Funds!

Beginning next May, all TSP participants will be able to invest in two new funds: the Small Capitalization Stock Index Investment (S) Fund and the International Stock Index Investment (I) Fund. Although the S and I Funds were originally intended to be made available in the new record keeping system, participants will be able to start investing in them on May 1, 2001, under the current record keeping system. The new record keeping system will be implemented as soon as feasible thereafter.

Once the S and I Funds become available in May, you will be able to change the way your payroll contributions are invested in all five TSP funds at any time, instead of only during a TSP open season. (However, interfund transfers, which change the way the existing balance in your account is invested, will still occur monthly because accounts will remain monthly valued.) You will be able to allocate your payroll contributions and make interfund transfers using the TSP Web site or the ThriftLine — or by mailing to the TSP Service Office the new Investment Allocation form (TSP-50), which will be available in May.

Other enhancements to the TSP, such as daily valuation and mixed withdrawals, cannot be included in the current system, but will be available when the new system is implemented. (The delay of the new system's implementation was explained in a June 16, 2000, letter from the Board's Executive Director to all TSP participants. For the current status of progress on new system implementation, see the TSP Web site, www.tsp.gov.)

An Opportunity to Diversify Investments

The new funds will give you the opportunity to diversify your overall investment in the TSP more broadly. You will still be able to invest in the C Fund, the stock fund that tracks the Standard & Poor's 500 (S&P 500) index of large companies traded in U.S. stock markets. But you will also effectively be able to expand your investments to U.S. companies outside the S&P 500. The S Fund will closely track the Wilshire 4500 index, which consists of stocks of medium and small U.S.

(Continued on page 2)

Inside . . .

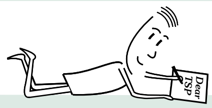
Have you changed your address?

Does the TSP have your new address information on file? To be sure that you receive loan and withdrawal checks, participant statements, confirmations of interfund transfers, loan statements, and new PIN numbers when you request them, make certain to let *your agency personnel office* know where you are currently receiving mail. If you are a current Federal employee, only your agency can correct your address in your TSP record. If you transferred to another agency when you moved, be sure your new personnel office continues your TSP contributions and, if applicable, your loan payments.

If you are separated from Federal service, you should notify the TSP Service Office directly about your change of address. You can mail either Form TSP-9 (Change of Address for Separated Participants) or a signed and dated letter clearly showing your name, date of birth, Social Security number, and new address to: TSP Service Office, National Finance Center, P.O. Box 61500, New Orleans, LA 70161-1500.

If you know other TSP participants who have changed addresses recently, please pass along this information to them. They may not see this reminder if their copies of the *Highlights* have been delivered to their old addresses!

Participants Ask . . .



Q **Is there a street address that I can use to send a document to the TSP Service Office via overnight express?**

A When corresponding with the TSP Service Office, it is most efficient to use the post office box number at the National Finance Center designated for TSP participant mail: P.O. Box 61500, New Orleans, LA 70161-1500. However, many express delivery companies will not deliver to a post office box. If you have a short deadline and you need to send an original document, such as a check, to the Service Office via an overnight delivery service, you may send it to: TSP Service Office, National Finance Center, 4277 Poche Court West, New Orleans, LA 70129.

Please be sure to include your name and Social Security number in any correspondence.

Q **How can I get my name change made to my official TSP record?**

A If you are in Federal service now, ask your agency personnel office to change your name in your TSP record.

If you are separated from Federal service, send Form TSP-15 (Change in Name) to the TSP Service Office. If you are separated from Federal service and have changed both your name and address, you can use Form TSP-15 to update your name and address at the same time.

Here come the S & I Funds! *(Continued from page 1)*

companies (for example, Amazon.com, Inc., Cox Communications, Inc., VeriSign, Inc.). The I Fund will closely track the EAFE index, which comprises stocks of companies based in Europe, Australasia, and the Far East that are large relative to the size of the stock markets of their countries and industries. (Examples are Lufthansa AG, Royal Dutch Petroleum Co., and Toyota Motor Corp.)

Earnings in the S and I Funds, like earnings in the C Fund, will be based on market fluctuations and on dividends paid. However, the S and I Funds, while potential vehicles for strong earnings over the long term, will carry more risk than the C Fund. This is because, in the case of the S Fund, the stocks of smaller companies tend to react more strongly to changes in the economy than those of larger firms, and, in the case of the I Fund, the value of overseas investments is affected by changes in the value of the foreign currencies in which they are denominated relative to the U.S. dollar.

More Information to Follow

Between now and May, you will receive printed materials about the new funds, and we will also be updating the TSP Web site to describe them. Before making new investment decisions, be sure you read the information carefully to develop a clear understanding of both the earnings potential and the risks associated with the funds. If you want to get an idea of how the indexes on which the new funds are based have been performing, see Table 4 on page 4 of this *Highlights*. For more recent information, look up the Wilshire 4500 index at www.wilshire.com/indexes/last_month.htm, or the EAFE index at the Morgan Stanley Web site, www.mscidata.com. You can also find information about the EAFE index in the Foreign Markets area of section C of *The Wall Street Journal* under “EAFE MSCI” in the table called Morgan Stanley Indexes.

Before you take the money and run . . .

A recent study by Hewitt Associates of 170,000 distributions (payouts) from defined contribution plans (retirement plans similar to the TSP) indicated that 68% of plan participants who changed jobs in 1999 took cash withdrawals from their tax-deferred retirement accounts rather than leaving their money in the plan or rolling their balances into their new employers’ plans or into IRAs. The highest percentage of cash payments (78%) occurred among 20- to 29-year-old investors.

What does this mean to you? Even though TSP participants who separate from Federal service can withdraw their TSP accounts when they leave, you should know that removing your money from the TSP will reduce the amount available to you in retirement. This is because earnings (even on small balances) can grow substantially over time. Also, if you are under the age of 59½, you will pay a 10% penalty for early withdrawal in addition to paying required Federal and state taxes, which all together could take away as much as half of your cash payment.

Young employees have the most to lose when they remove their money, since they stand to benefit the most from the compounding of earnings in their accounts over time. Let’s say you have $5,000 in your TSP account when you leave the Federal Government at age 25. If you take the cash out when you leave, you might walk away with an amount between $2,650 and $3,450 after paying the penalty for early withdrawal, plus Federal and state taxes. If you were to leave that same amount in the TSP until retirement at age 65, and if your account were to grow at an average annual rate of return of 10% over the 40 years, you would have about $226,000 (before Federal and state taxes) available for your retirement; at 12%, you would have over $465,000 before taxes. Not bad, considering you started with such a modest sum.

Thrift Savings Plan Investment Information

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 S and I Funds will not be available for investment until May 2001.

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 other TSP funds over the long term.

Table 1 presents the 1990 – 1999 G Fund total rates of return, after deducting TSP administrative expenses; there is no assurance that future rates of return for the G Fund will replicate any of these rates. TSP administrative expenses reduced the 1999 G Fund return by 0.05%, or $.50 for every $1,000 of G Fund account balance.

Table 1

Year	G Fund
1990	8.9%
1991	8.1%
1992	7.2%
1993	6.1%
1994	7.2%
1995	7.0%
1996	6.8%
1997	6.8%
1998	5.7%
1999	6.0%
1990 – 1999 compound annual rate of return	7.0%

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, mortgage-backed, corporate, and foreign government 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 2 shows the 1990 – 1999 total rates of return for the F Fund (after deducting expenses) and the LBA bond index; there is no assurance that future F Fund rates of return will replicate any of these rates. TSP administrative expenses and F Fund investment management fees reduced the 1999 F Fund return by 0.07%, or $.70 for every $1,000 of F Fund account balance.

Table 2

Year	F Fund	LBA Bond Index*
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%
1998	8.7%	8.7%
1999	– 0.8%	– 0.8%
1990 – 1999 compound annual rate of return	7.5%	7.7%

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

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 primary source of earnings is the net changes in the prices of stocks, although dividend income is also an important source of earnings. 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 3 shows the 1990 – 1999 total C Fund rates of return (after deducting expenses) and the S&P 500 stock index returns; there is no assurance that future rates of return for the C Fund will replicate any of these rates. TSP administrative expenses and C Fund investment management fees reduced the 1999 C Fund return by 0.06%, or $.60 for every $1,000 of C Fund account balance.

Table 3

Year	C Fund	S&P 500 Index
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%
1998	28.4%	28.6%
1999	21.0%	21.0%
1990 – 1999 compound annual rate of return	18.2%	18.2%

(Continued on page 4)

TSP Investment Information *(Continued from page 3)*

Two new investment funds will be available to participants in May 2001.

The S Fund (Small Capitalization Stock Index Investment Fund) will be invested in the Barclays Extended Market Index Fund, which tracks the Wilshire 4500 stock index. The Wilshire 4500 index represents approximately 25% of the market value of the U.S. stock markets. It consists of the stocks that are actively traded in the U.S. stock markets, except those in the S&P 500 index. The primary source of earnings is the net changes in the prices of stocks, although dividend income is also an important source of earnings. Although the S Fund will be diversified among industries and companies, losses will occur if and as the value of the Wilshire 4500 index declines in response to changes in overall economic conditions. The Wilshire 4500 index returns tend to fluctuate more than S&P 500 index returns because the prices of the stocks of the smaller companies in the Wilshire 4500 index tend to react more strongly (positively and negatively) to changes in the economy. Therefore, S Fund investments are expected to be more volatile than C Fund investments. The total S Fund return could be negative, resulting in a loss.

The I Fund (International Stock Index Investment Fund) will be invested in the Barclays EAFE Index Fund, a commingled fund that tracks the Europe, Australasia, and Far East (EAFE) stock index. The EAFE index, comprising 20 countries, consists of the stocks of companies that are large relative to the size of the stock markets of their countries and industries. They represent 43% of the value of the world stock markets. (The U.S. stock market represents 49% of the world stock markets.) The primary source of earnings is the net changes in the prices of stocks, although, at times, net foreign currency changes relative to the U.S. dollar can be a greater component of earnings than stock price gains or losses. Dividend income is also an important source of earnings. The EAFE index is broadly diversified among countries and industries, so that the effect of poor performance in one stock market or group of companies is reduced. Losses will occur if and as the value of the EAFE index declines in response to changes in overall economic conditions or to increases in the value of the U.S. dollar relative to the currencies in which the EAFE stocks are denominated. EAFE index returns tend to fluctuate more than S&P 500 index or Wilshire 4500 index returns; therefore, I Fund investments are expected to be more volatile in the short run than C or S Fund investments. The total I Fund return could be negative, resulting in a loss.

Table 4 shows the 1990 – 1999 total rates of return for the Wilshire 4500 index and the EAFE index.

Table 4

Year	Wilshire 4500 Index	EAFE Index
1990	– 13.6%	– 23.6%
1991	43.5%	12.2%
1992	11.9%	– 12.2%
1993	14.6%	32.7%
1994	– 2.7%	7.8%
1995	33.5%	11.3%
1996	17.2%	6.1%
1997	25.7%	1.6%
1998	8.6%	20.1%
1999	35.5%	26.7%
1990 – 1999 compound annual rate of return	16.2%	7.0%

★ TSP Fund Balances ★
as of 9/30/2000

G Fund	$ 32.8 billion
F Fund	$ 4.1 billion
C Fund	$ 63.3 billion
Total	$100.2 billion
Participants	2.5 million

Recent Performance of the G, F, and C Funds

Table 5 presents the monthly rates of return of the three current TSP funds (after expenses), which were used in crediting earnings to your account. For more information about the G, F, and C Funds, see the Plan Summary.

Table 5

Month	G Fund	F Fund	C Fund
1999			
October	0.5%	0.4%	6.3%
November	0.5%	0.0%	2.0%
December	0.5%	– 0.5%	5.9%
2000			
January	0.6%	– 0.3%	– 5.0%
February	0.5%	1.2%	– 1.9%
March	0.6%	1.3%	9.7%
April	0.5%	– 0.3%	– 3.0%
May	0.5%	0.0%	– 2.0%
June	0.5%	2.1%	2.4%
July	0.5%	0.9%	– 1.6%
August	0.5%	1.5%	6.2%
September	0.5%	0.6%	– 5.3%
12 months	6.5%	7.0%	13.2%

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