



Thrift Savings Plan HIGHLIGHTS

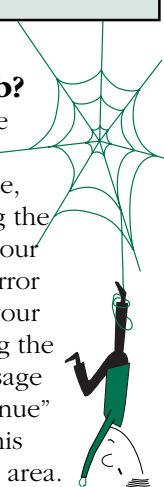
Open Season: May 15 – July 31

Inside . . .

Interfund Transfers	2
TSP Quiz	2
Rates of Return	3–4

Tangled in the Web?

If you are having trouble gaining access to secure areas of the TSP Web site, make sure you are using the most recent version of your browser. If you get an error message after entering your SSN and PIN, try clicking the “OK” button in the message box and then the “Continue” button on the screen. This often opens the account area.



Before you give up, read the FAQs on the Web site. We address many questions about access there.

Do you have a loan? If so, check your quarterly loan statement to be sure that your payroll office is submitting the correct loan payment amount to the TSP each pay period (especially if you are returning from nonpay status or you have changed payroll offices). If something is amiss, contact your agency payroll office.

If you named a beneficiary for your TSP account, check the top of your statement to make sure that the TSP has your form on file. Keep your designation (and your beneficiaries’ addresses) current. If your status (or those of your beneficiaries) changes due to marriage, birth or adoption, divorce, or death, you may want to change your designation. You can get Form TSP-3, Designation of Beneficiary, from your personnel office or the TSP Web site.

UPDATE — New Record Keeping System

By mid-2000, we’ll have a new TSP record keeping system. That may seem like a long way off, but it will be here before you know it. Two of the three years planned for the design and implementation of the new system have already passed, and the work is well underway.

How will the new system affect me and my TSP account?

Some of the changes will be transparent to you, the participant, but there are a number of important new features that you should know about. This article tells you what they are, and how the TSP will keep you informed.

Two New Investment Funds. In addition to the present G, F, and C Funds, you will have the option of investing in a Small Capitalization Index Investment (S) Fund and an International Stock Index Investment (I) Fund, which track the Wilshire 4500 and the Morgan Stanley Europe, Australasia, and Far East (EAFE) indexes, respectively. To invest in these funds — when the new system is implemented — you will be able to request an interfund transfer to move money that is already in your account, or change your payroll contributions to direct future contributions into these new funds.

Allocating Contributions. In the new system, it will be easy to change the way your future payroll contributions are invested in the TSP funds. At present, if you want to change the way your payroll contributions are invested, you file a Form TSP-1 with your agency; you can do this only during a TSP Open Season. In the new system, you will change your contribution allocation directly with the TSP record keeper at any time, and you will be able to do so on the ThriftLine or the TSP Web site.

Daily Valuation. In the present system, earnings, loans, withdrawals, and interfund transfers are posted to your account once each month. In the new system, the TSP will become a “daily valued” plan and account information will be updated daily. The result is that disbursements (loans and withdrawals) and interfund transfers will be processed each business day. Similarly, your account balance will be updated each business day and you will be able to find out your daily balance using the ThriftLine or the TSP Web site.

Quarterly Statements. You will also notice a difference in your statements with the new record keeping system. Beginning in 2000, you will receive quarterly statements (as of March 31, June 30, September 30, and December 31), encompassing a calendar year.

Unit Values. At conversion to the new system, your account balance will be converted to units and your account information will be presented to you in units and unit values, as well as in dollars. You will be able to see how many units of a fund you own and how much each unit is worth. Most mutual funds present account information this way.

(Continued on page 2)

Participants Ask . . .



. . . about interfund transfers

Q Why would I want to make an interfund transfer, especially with the volatility of the market?

A Interfund transfers should not be made to try to “time the market.” Because the TSP is a monthly valued plan, you cannot move your money instantly among the funds in response to short-term market trends.

However, interfund transfers are a useful tool if you need to adjust or “rebalance” your account. If, for example, you find that your fund balances no longer reflect your chosen investment mix as a result of gains or losses in the market, you may wish to move money from one fund to another so you can be comfortable with your level of risk. You may also wish to change your fund balances if your risk preferences change over time, for example, as you near retirement.



Q Will the TSP be ready for the Year 2000?

A The necessary code changes have been made and tested. The TSP system has been certified by the U.S. Department of Agriculture to be Y2K compliant.

New Record Keeping System *(Continued from page 1)*

New Open Season Dates. Beginning in 2000, TSP Open Seasons will be April 15 – June 30 and October 15 – December 31 each year. As always, to change the amount you wish to contribute, you would do so through your agency personnel office during the TSP Open Season.

As a TSP participant, what should I do right now?

The most important thing you can do is to take an active interest in your account.

Check your account information. Make sure that all personal information at the top of your statement is correct (especially your address), so that any errors are not transferred to the new system. In addition, make sure that your TSP contributions have been correctly posted to your account in the funds that you selected. Correct any errors with your agency personnel office (if you are employed) or the TSP Service Office (if you are separated).

Know your PIN. In order to access your account information and to request transactions on the ThriftLine or the Web site, you must know your TSP Personal Identification Number (PIN). If you do not know your PIN, request a new one on the ThriftLine or the Web site before the conversion to the new system. That way, if you want to invest in the new funds, you will be able to do so as soon as they are available.

Stay informed about the changes. It will be important for you to read the revised plan description, *Summary of the Thrift Savings Plan for Federal Employees*, which will be distributed to current employees by their agencies (and mailed to all separated participants) during early 2000. The updated *Guide to TSP Investments* booklet will also be available at that time. In addition, the *TSP Highlights* and other TSP communications will provide more information about the two new funds and how the TSP is changing.

As always, we will be putting the latest news on the ThriftLine at (504) 255-8777, and on the TSP Web site at www.tsp.gov.

TSP Investment Terms — Test Your Knowledge

See if you can match the investment terms with their definitions below.

1. ___ unit value
 2. ___ bond
 3. ___ yield
 4. ___ common stock
 5. ___ diversification
 6. ___ daily valuation
 7. ___ dollar cost averaging
- a. The process of determining on a daily basis the value or worth of an investment account, security, or fund.
 - b. Income from an investment, usually in the form of interest, dividends, and/or capital appreciation.
 - c. The value of each share or unit held in a fund.
 - d. A certificate of debt issued by a government or corporation promising payment of the face amount by a specified future date, together with periodic payments of interest.
 - e. A certificate of equity ownership issued by a corporation.
 - f. The practice of investing a fixed amount of money in a security at regular intervals regardless of its price.
 - g. Investing in securities of different issuers, types, and/or maturities in an effort to reduce overall investment risk.

(Answers on page 4)

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 1989 – 1998 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 1998 G Fund return by 0.06%, or \$.60 for every \$1,000 of G Fund account balance.

Table 1

Year	G Fund
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%
1998	5.7%
1989 – 1998 compound annual rate of return	7.3%

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 1989 – 1998 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 1998 C Fund return by 0.07%, or \$.70 for every \$1,000 of C Fund account balance.

Table 2

Year	C Fund	S&P 500 Index
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%
1998	28.4%	28.6%
1989 – 1998 compound annual rate of return	19.1%	19.2%

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, 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 1989 – 1998 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 1998 F Fund return by 0.08%, or \$.80 for every \$1,000 of F Fund account balance.

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

Table 3

Year	F Fund	LBA Bond Index*
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%
1998	8.7%	8.7%
1989 – 1998 compound annual rate of return	9.0%	9.3%

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

(Continued on page 4)

Of Interest

Did you think the sky was falling?

(Were you left with egg on your face?)

Remember August 1998, when the stock market plummeted 14.5%? Most TSP participants ignored the drop. About 2% of participants, however, thought they should get their money out of the C Fund and they flew the coop, transferring \$527 million from the C Fund to the G and F Funds during August and September. But the C Fund rallied in the next few months, making up for the August loss with returns of 6.3%, 8.2%, and 6.0% in September, October, and November, respectively, and finishing the year with an impressive 28.4% return.

The result? Those who thought the sky was falling locked in their losses by transferring when the market was down. In November and December, participants moved \$452 million back into the C Fund, thus buying back into the stock market at much higher prices.

The moral of the story: Find an investment mix you are comfortable with and stick with it. Remember, the TSP is a **long-term** investment plan for feathering your retirement nest.

For more information about interfund transfers, see the Participants Ask column on page 2. Or better yet, read the *Guide to TSP Investments*, available from your agency personnel office or the TSP Web site.

★ TSP Fund Balances ★

as of 3/31/99

G Fund	\$ 28.7 billion
C Fund	\$ 48.4 billion
F Fund	\$ 4.1 billion
Total	\$ 81.2 billion
Participants	2.4 million

Investment Information *Continued from page 3*

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

Table 4

Month	G Fund	C Fund	F Fund
1998			
April	0.5%	1.0%	0.5%
May	0.5%	-1.7%	0.9%
June	0.5%	4.0%	0.8%
July	0.5%	-1.1%	0.2%
August	0.5%	-14.5%	1.7%
September	0.4%	6.3%	2.4%
October	0.4%	8.2%	-0.5%
November	0.4%	6.0%	0.6%
December	0.4%	5.8%	0.3%
1999			
January	0.4%	4.2%	0.7%
February	0.4%	-3.1%	-1.7%
March	0.5%	4.0%	0.5%
12 months	5.6%	18.4%	6.5%

Answers to Test Your Knowledge

1c; 2d; 3b; 4e; 5g; 6a; 7f.

G, C, and F Fund Annual Returns 1989 – 1998

1989 – 1998 Compound Annual Return

G Fund = 7.3%
C Fund = 19.1%
F Fund = 9.0%

