



# Thrift Savings Plan HIGHLIGHTS

Open Season: October 15 – December 31

## We hear you.

Each time the schedule slips, we receive many comments and questions from participants asking when they can expect the new record keeping system. Here is the bottom line — as much as we would like to be able to announce that it is ready, we cannot do so at this time. We will not implement the new system until we are certain it is operating properly and we can be confident that your TSP account records are being accurately maintained. Because that is not the case as of press time (October 15), we'll have to keep you posted.

### Why is it taking so long to get this system up and running?

In updating the TSP record keeping system, we had to accomplish three major tasks. First, we had to design and develop the new daily valued record keeping system; second, we had to convert the current database (with 16 years of historical account records) into a format that the new system could handle; and third, we had to test the new system thoroughly.

The **system design** had to accommodate the many complexities that evolved over time since the TSP was established, including a number of statutory features that are unlike those of private-sector plans. Over the past few years, while we were both maintaining the present system and designing the new one, legislation was introduced requiring the TSP to make additional changes by specified deadlines, including bringing in the uniformed services population with its unique rules.

The sheer size of the TSP also presented a distinct challenge. We are the largest defined contribution plan in the world, maintaining nearly three million civilian and uniformed services accounts. While most plans can handle unusual features and situations with manual processing, the TSP's size requires that we develop automated solutions for most of these situations.

The **conversion of the current database** for the new system has been an enormous undertaking and proved to be more difficult than envisioned. The TSP has been in operation since 1987; consequently, the database now contains over two billion records. The record conversion is being conducted by SunGard Data Systems Inc. SunGard has successfully managed hundreds of record conversions

into its record keeping system, OmniPlus. None of them, however, has been as large as the one required for the TSP. As a result, we have had to adjust the volume and schedule to accomplish the conversion. Initially, it will not encompass the entire database; we will only convert records for the most recent 3 years.

An analysis of the records to confirm that they were accurately and completely converted is almost finished. This conversion is a prerequisite for continued testing of the system functionality and, ultimately, for implementation.


**Testing of the system functions** is being done in a test environment which parallels the operation of the current record keeping system, and which uses actual participant data submissions. This "parallel testing" is intended to validate, in a production environment, the results of the more limited system testing that was conducted to demonstrate that the various modules of the new system function properly. Parallel testing has uncovered problems with the system's capacity to handle a high volume of daily transactions and agency data submissions. These problems must be corrected before the new system can be implemented.

### In the meantime . . .

The current system, which is based on a monthly processing cycle, is continuing to function as always. We will use it until the new system is ready for implementation. This means:

**Loans and withdrawals** will continue to be processed monthly. Loan Agreements and withdrawal requests that are completed and approved by the last day of the month will be paid on the fourth business day of the following month.

**Interfund transfers** will also continue to be processed monthly. Requests made on the TSP Web site or the ThriftLine by midnight (central time) on the 15<sup>th</sup> of the month (or, if the 15<sup>th</sup> is a weekend or holiday, on the next business day), and paper-based requests received by the TSP Service Office by the 15<sup>th</sup>, will be effective as of the last day of the month. Requests made (or received) after the 15<sup>th</sup> will be effective as of the last day of the following month.

**Contribution allocations** and **PIN requests** will continue to be processed at the end of each business day. 

# 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 2001 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 2001 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 2001 C Fund return by 0.06%, or \$.60 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 2001 S Fund return by 0.05%, or \$.50 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 2001 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](http://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 %
1992	7.2	7.2	7.4	7.7	7.6	–	11.9	–	–12.2
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
Compound annual rates of return 1992 – 2001:									
	6.5	7.2	7.2	12.9	12.9	–	10.7	–	4.4
<b>2002</b>									
Jan.	0.4	0.8	0.8	–1.5	–1.5	–2.0	–1.9	–5.3	–5.3
Feb.	0.4	1.0	1.0	–1.9	–1.9	–2.6	–2.8	0.7	0.7
March	0.4	–1.7	–1.7	3.7	3.8	6.8	6.8	5.8	5.4
April	0.5	1.9	1.9	–6.1	–6.1	–1.1	–1.0	0.2	0.7
May	0.4	0.9	0.8	–0.7	–0.7	–2.4	–2.2	1.3	1.3
June	0.4	1.0	0.9	–7.1	–7.1	–6.7	–6.8	–3.9	–4.0
July	0.4	1.2	1.2	–7.7	–7.8	–9.9	–9.7	–10.0	–9.9
August	0.4	1.6	1.7	0.7	0.7	0.6	0.6	–0.3	–0.2
Sept.	0.4	1.6	1.6	–10.9	–10.9	–6.8	–6.7	–10.7	–10.7

\* 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.

