



Thrift Savings Plan HIGHLIGHTS

Open Season: May 15 – July 31, 1997

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1997 IRS Limit: \$9,500 —

If you are a FERS employee who makes more than \$95,000 a year, you could reach the IRS limit on your TSP contributions before the end of the year and lose Agency Matching Contributions. Ask your personnel office for the TSP Fact Sheet “Annual Limit on Elective Deferrals.” The Fact Sheet will help you calculate the maximum amount you can contribute each pay period and still receive full Agency Matching Contributions.

New Computer System —

American Management Systems, Inc. (AMS) has been selected to design and develop a new computer system for maintaining TSP accounts. The new system will allow the addition of two new investment funds and will provide daily — rather than monthly — valuation of accounts. It will take about 3 years to develop.

Of Interest

Why don't we have a toll-free number for the ThriftLine or the TSP Service Office? It's because the substantial cost of an 800 number would increase TSP administrative expenses and would reduce the earnings that go to everyone's account. The way it is now, only those participants who place the calls incur the cost.

TSP Web Site — <http://www.tsp.gov>

Want to know the most recent rates of return? Need the proper form to designate a beneficiary? Want to project what your account will be worth in 20 years? Have a question about vesting?

You've come to the right place! The new TSP Web site can provide you with information and materials to help you understand the TSP and manage your account. Here are the basic components of the site:

- **TSP Features** – You'll find a complete description of the TSP, including the basic rules for participation, investment options, interfund transfers, the loan program, withdrawal options, spouses' rights, and other important information.
- **Rates of Return** – You can get the most recent monthly rates of return for the three funds, as well as the historical returns since 1988. We confirm the month's returns approximately 7 business days after the end of the month. As soon as we know, you'll know!
- **Current Information** – If you need the current loan interest rate, annuity interest rate index, or upcoming loan and withdrawal disbursement dates, you'll find them here. You can also keep abreast of Plan news.
- **Calculator** – Scrooge never had this much fun counting his money! With a click of your mouse, you can select or change the variables you want to project (percent of salary saved, length of time until withdrawal, expected rate of return), and get an idea of the future size of your TSP account.
- **Forms and Publications** – You can download the latest forms and materials, using Adobe Acrobat software (available free, on-line). But remember, your agency personnel office is still your primary source for TSP materials.

If you have comments or suggestions for the site, select “How do you like our site?” and leave a message. (Questions about your individual account should still be directed to your personnel or payroll office. We cannot respond to personal inquiries on the Web.) Visit soon! ☺

Spouses' Rights (More than just a nice idea . . . it's *The Law!*)

Marital bliss (or the lack thereof) has nothing to do with it . . . Your spouse (even a separated spouse) has certain rights regarding your TSP account which must be considered when you borrow or withdraw money from it.

- **Borrowing from your account** – If you are a married FERS participant, you must obtain your spouse's written consent before you can receive a TSP

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Participants Ask . . .



. . . about loans

Q What kinds of loans are available?

A There are two kinds of loans: *general purpose loans* and *residential loans*. General purpose loans, available since November 1996, do not require you to specify or document the purpose of your loan. They have a repayment period of 1 to 4 years. Residential loans do require documentation. They have a repayment period of 1 to 15 years.

Q How much can I borrow?

A You may borrow only your own contributions and their earnings. You may not borrow any agency contributions to your account or their earnings. The minimum amount you may borrow is \$1,000. The Internal Revenue Code governs the maximum amount you can borrow. See the Loan Booklet or call the ThriftLine to learn the amount available for you to borrow.

Q How do I apply for a general purpose loan?

A Until new forms are available, use the current Loan Application, Form TSP-20. If you want a general purpose loan, leave the item blank regarding the purpose of the loan.

To apply for a residential loan, indicate this where requested on the Loan Application.

Q Can I get a general purpose loan if I already have a loan?

A Yes, you can have two loans at the same time (although only one can be a residential loan).

Spouses' Rights *Continued from page 1*

loan. If you are a married CSRS participant, the TSP must notify your spouse when you apply.

- **Making a withdrawal election** – If your account is more than \$3,500 and you are a FERS employee, your spouse has the right to a joint life annuity with a 50 percent survivor benefit (with level payments and no cash refund). If you wish to change any feature of the prescribed annuity, or if you wish to elect a different type of withdrawal — such as a single payment or series of monthly payments — your spouse must waive his or her right to that joint annuity by signing the appropriate form. If your spouse does not waive this right, you cannot withdraw your account by any other method. If you are a married CSRS participant, the TSP must notify your spouse before you withdraw your account.

Unfortunately, there have been instances in which participants have attempted to borrow or withdraw money from their TSP accounts without the knowledge of a spouse by forging the spouse's signature or by incorrectly reporting their marital status. It is the TSP's policy to pursue and prosecute any participant or other person who attempts to deprive a spouse of his or her TSP rights. To date, about a dozen such cases have been turned over to the Department of Justice for criminal prosecution. ☹

Q How long does it take to get a loan?

A The loan process typically takes about 6 to 8 weeks. You should allow approximately 7 days for the TSP to receive and process your Loan Application, and about 10 days for the TSP to receive, review, and approve your Loan Agreement. Your Loan Agreement must be approved by the fourth business day of the month in order to be paid in that month. You can check on the status of your loan application by calling the ThriftLine.

TSP loans are not transferred electronically, so you should allow 5 to 7 days from the date of disbursement for the check to arrive in the mail. Your check will be mailed to the address that we have for you in the TSP database, so let your agency know if you have a new address. (Even though you may have written your new address on your Loan Application or Loan Agreement, that will not change your address in the TSP database. Only your agency can do that.)

It is important to plan ahead. The TSP is not an immediate source of funds, it is a retirement plan.

Q Why do you only disburse loan checks once a month?

A The TSP is a "monthly valued plan," that is, earnings are credited to accounts once each month. It takes approximately 7 business days after the end of the month to get final earnings reports from the C and F Fund asset manager, to credit earnings to the accounts of 2.3 million participants, and to complete the processing of all transactions. Loan checks are then issued. ☹

ThriftLine

(504) 255-8777

24 hours a day – 7 days a week

- Account Balances
- Rates of Return
- Interfund Transfers
- Loan Inquiries
- Date Withdrawal Disbursed
- Plan News
- PIN Changes

Thrift Savings Plan Investment Information

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

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 4 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 calendar-year total rates of return for the last 10 years for G Fund related securities, based on the monthly rates (compounded) for such securities. It also shows the actual 1988 – 1996 G Fund rates of return, after deducting administrative expenses of the Plan. Plan expenses reduced the 1996 return by 0.08%, or \$.80 for every \$1,000 of G Fund account balance. There is no assurance that future rates of return for the G Fund will replicate any of these rates.

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

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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 presents the calendar-year total rates of return for the Barclays Equity Index Fund and the S&P 500 stock index for the last 10 years. It also shows the 1988 – 1996 C Fund rates of return (after deducting expenses). TSP administrative expenses and C Fund investment management fees reduced the 1996 C Fund return by 0.09%, or \$.90 for every \$1,000 of C Fund account balance. There is no assurance that future rates of return for the C Fund will replicate any of these rates.

The F Fund is invested in the Barclays U.S. Debt Index Fund, a commingled fund that tracks the Lehman Brothers 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

Table 1

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Year	G Fund*	Related Securities
1987		8.7%
1988	8.8%	9.2%
1989	8.8%	9.0%
1990	8.9%	9.0%
1991	8.1%	8.3%
1992	7.2%	7.3%
1993	6.1%	6.2%
1994	7.2%	7.3%
1995	7.0%	7.1%
1996	6.8%	6.8%
1988 – 1996 compound annual rate of return		7.8%
1987 – 1996 compound annual rate of return		7.9%

* The first G Fund investment occurred on April 1, 1987.

Table 2

Year	C Fund*	Barclays Equity Index Fund	S&P 500 Index**
1987		5.2%	5.2%
1988	11.8%	16.6%	16.8%
1989	31.0%	31.6%	31.5%
1990	-3.2%	-3.2%	-3.2%
1991	30.8%	30.4%	30.6%
1992	7.7%	7.6%	7.7%
1993	10.1%	10.1%	10.0%
1994	1.3%	1.3%	1.3%
1995	37.4%	37.6%	37.5%
1996	22.8%	23.0%	23.1%
1988 – 1996 compound annual rate of return		16.4%	16.5%
1987 – 1996 compound annual rate of return		15.3%	15.3%

* The first C Fund investment in the stock market occurred on January 29, 1988.

** Calculated by Wilshire Associates.

Investment Information

Continued from page 3

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 presents the calendar-year total rates of return for the Barclays U.S. Debt Index Fund and the LBA bond index for the last 10 years. It also shows the 1988 – 1996 rates of return for the F Fund (after deducting expenses). TSP administrative expenses and F Fund investment management fees reduced the 1996 F Fund return by 0.10%, or \$1.00 for every \$1,000 of F Fund account balance. There is no assurance that future rates of return for the F Fund will replicate any of these rates.

Recent performance of the TSP funds.

Table 4 presents monthly rates of return (after expenses), which are used in crediting earnings to your account. 🧐

★ TSP Accounts ★

as of 3/31/97

G Fund \$ 23.9 billion
C Fund \$ 20.2 billion
F Fund \$ 2.6 billion

Total accounts \$ 46.7 billion

Participants 2.3 million

Table 3

Year	F Fund*	Barclays U.S. Debt Index Fund**	LBA Bond Index***
1987		2.5%	2.8%
1988	3.6%	7.9%	7.9%
1989	13.9%	14.5%	14.5%
1990	8.0%	8.9%	9.0%
1991	15.7%	16.0%	16.0%
1992	7.2%	7.4%	7.4%
1993	9.5%	9.7%	9.8%
1994	-3.0%	-2.9%	-2.9%
1995	18.3%	18.5%	18.5%
1996	3.7%	3.7%	3.6%
1988 – 1996 compound annual rate of return			
	8.4%	9.1%	9.1%
1987 – 1996 compound annual rate of return			
		8.4%	8.5%

* The first F Fund investment in the bond market occurred on January 29, 1988. Through December 1990, the F Fund was invested in the Barclays Bond Index Fund, which tracked the Lehman Brothers Government/Corporate bond index.
** Established in July 1986. Before January 1990, the Barclays U.S. Debt Index Fund tracked the Salomon Brothers Broad Investment Grade index.
*** Calculated by Lehman Brothers.

Table 4

Month	G Fund	C Fund	F Fund
1996			
April	0.5%	1.5%	-0.6%
May	0.6%	2.6%	-0.1%
June	0.6%	0.4%	1.3%
July	0.6%	-4.4%	0.3%
August	0.6%	2.1%	-0.2%
September	0.6%	5.6%	1.7%
October	0.6%	2.7%	2.2%
November	0.5%	7.5%	1.7%
December	0.5%	-2.0%	-0.9%
1997			
January	0.6%	6.2%	0.3%
February	0.5%	0.8%	0.2%
March	0.6%	-4.1%	-1.1%
12 months	6.9%	19.7%	4.9%

A Note on Rebalancing . . .

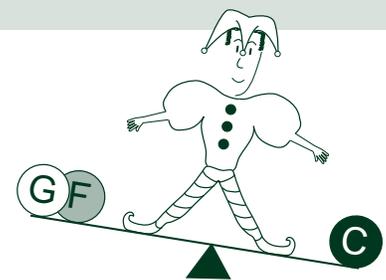
Cumulative Returns 1995 – 1996

C Fund **69%**
F Fund **23%**
G Fund **14%**

What effect have the stock market gains had on your account over the last 2 years? If you invested in all three funds, the 1995 – 1996 returns (not including new contributions)

increased the proportion of your C Fund balance relative to your F and G Fund balances. It may be time to review your fund balances and determine that the proportions you have now in the C, F, and G Funds are what you intend. Are you still comfortable with your investment mix and your level of risk?

If you wish to change your fund balances, you can request an interfund



transfer. The best way to check your balances and request an interfund transfer is by calling the ThriftLine at (504) 255-8777.