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Roger W. Mehle

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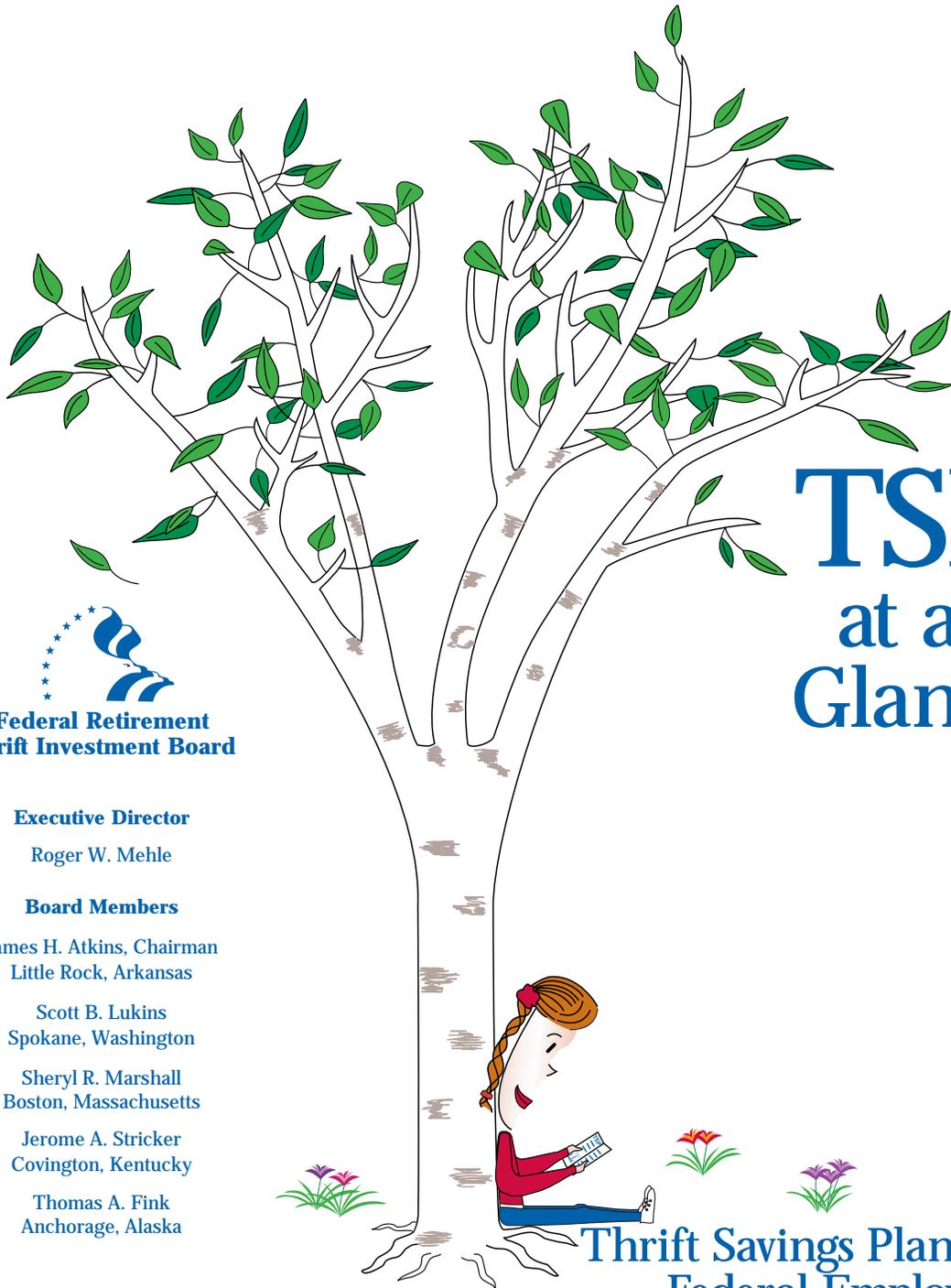
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TSP at a Glance

**Thrift Savings Plan for
Federal Employees**



February 1999

A PERSONAL MESSAGE TO FEDERAL EMPLOYEES:

The Thrift Savings Plan is an important benefit designed to help you save for your future. If you are a FERS employee, your agency automatically contributes 1% of your base salary each pay period to a TSP account in your name. In addition, your agency matches your contributions to your TSP account up to certain limits set by law. To take advantage of all the agency matching money that is available to you, you would need to contribute 5% of your basic pay each pay period. But you can contribute less.

Here is an example: If your base salary is \$26,000 (or \$1,000 per pay period) and you contribute 3% of your base salary (\$30) each paycheck, your agency will match it with an additional \$30. Together with the agency automatic contribution of 1% (\$10), you will have saved \$70 each pay period even though you contributed only \$30. *But if you don't contribute, you don't get the agency matching money and your TSP savings will be only \$10 per pay period.*

You may think you are too young or financially constrained to worry about retirement. Remember, however, that delaying your decision to contribute means that you miss out on agency matching contributions that can never be recaptured.

If you are a CSRS employee, you do not receive any agency money but, like FERS employees, you decide how your money is invested and you don't pay taxes on it or its earnings until you take it out.

This brochure is designed only to introduce you to the major features of the TSP. You should read the more detailed *Summary of the Thrift Savings Plan for Federal Employees*, which is available from your agency personnel office or on the TSP Web site at www.tsp.gov, so that you can make an informed decision. Your personnel office (and the TSP Web site) can furnish other TSP publications and forms for your specific needs.

Sincerely,

Roger W. Mehle
Executive Director

You can participate in the TSP if you are covered by the Federal Employees' Retirement System (FERS), the Civil Service Retirement System (CSRS), or an equivalent retirement plan.

The TSP offers all participants:

- Tax deferral on contributions of up to 10% (FERS) or up to 5% (CSRS) of your basic pay each pay period
- Choice of three investment funds
- A loan program
- In-service withdrawals for financial hardship or after age 59½
- Portable benefits if you leave Government service
- A choice of withdrawal options

If you are a FERS employee, you also get:

- Agency Automatic (1%) Contributions to your TSP account, whether or not you contribute your own money
- Agency Matching Contributions on your own contributions (on up to 5% of your basic pay each pay period)

When can I participate in the TSP?

New FERS employees must wait a specified period before they can participate in the TSP. Depending on when you were hired as a FERS employee, your TSP eligibility begins as follows:

If you were hired:	You can sign up to contribute:	Your Agency Automatic (1%) Contributions will begin:
January 1 – June 30	In the next November 15 – January 31 Open Season	First full pay period in January of that Open Season
July 1 – December 31	In the next May 15 – July 31 Open Season	First full pay period in July of that Open Season

If you are a rehired FERS or CSRS employee, or if you have questions about your eligibility, consult your agency personnel office.

How do I sign up for the TSP?

Ask your agency personnel office for the TSP Election Form (TSP-1) or download a copy from the Forms & Publications section of the TSP Web site. Use the form to show how much you want to contribute each pay period and how you want your contributions (including agency contributions, if you are a FERS employee) to be divided among the TSP investment funds. Submit Form TSP-1 to your agency personnel office during the first TSP Open Season in which you are eligible to contribute. Some agencies may be using an electronic version of Form TSP-1. Check with your personnel office for guidance.

Your agency will deduct your contributions from your pay each pay period and will allocate your contributions among the investment funds as you have directed. You can stop your contributions at any time.

Why is the TSP especially important for FERS employees?

If you are a FERS employee, your TSP account is one of three parts of your retirement coverage. It is separate from the other two parts, which are your FERS Basic Annuity and Social Security.

As a FERS employee, you receive two types of agency contributions to your TSP account, which can equal as much as 5% of your basic pay. These agency contributions are not taken out of your pay; they are in addition to your pay.

1. Agency Automatic (1%) Contributions.

When you become eligible, your agency opens your TSP account and automatically deposits an amount equal to 1% of your basic pay each pay period, even if you do not contribute your own money. After three years of Federal civilian service (or two years, in some cases), you are vested in these contributions and their earnings.

2. Agency Matching Contributions. When you contribute your own money, your agency matches dollar for dollar the first 3% of basic pay you contribute each pay period. Each dollar of the next 2% of basic pay that you contribute is matched 50 cents on the dollar. You are immediately vested in all of your own contributions, the matching contributions, and earnings on both.

You can contribute as much as 10% of your basic pay each pay period, up to the IRS limit. The annual IRS limit was set at \$10,000 for 1999. You can contribute either a percentage of your basic pay or a whole dollar amount — even as little as \$1 per pay period.

Here's how your Agency Automatic (1%) and Matching Contributions can add up to an additional 5% of your basic pay:

Percent of Basic Pay Contributed to Your Account (FERS Employees Only)			
You put in:	Your agency puts in:		The total contribution is:
	Automatic Contribution	Matching Contribution	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
6% – 10%	1%	4%	11% – 15%

How does the TSP benefit CSRS employees?

If you are a CSRS employee, you can take advantage of the TSP to provide a source of retirement income in addition to your CSRS annuity. You can contribute up to 5% of your basic pay each pay period. Although you do not receive any agency contributions, you receive the tax benefits and other TSP benefits described below, including the opportunity to invest in all three TSP funds. You are always vested in all of the money in your account.

What TSP benefits apply to both FERS and CSRS employees?

Tax Savings. Your TSP contributions are deducted from your pay before Federal and, in most cases, state income taxes are calculated. Until you withdraw your TSP account, you pay no income tax on:

- Money you contribute
- Money your agency contributes (if FERS)
- Earnings on your account

Loans. Through the TSP loan program, you may borrow money you have contributed to your TSP account. You may have a loan for general purposes (with a repayment period of 1 to 4 years) or for the purchase of a primary residence (with a repayment period of 1 to 15 years). Documentation is required for residential loans only.

The minimum loan is \$1,000 and there are limits on the amount you can borrow. The interest rate for the life of the loan is the G Fund rate when your application is received. You repay your loan through regular payroll allotments and the principal and interest are paid to your account.

If you are a married FERS employee, your spouse must consent to your loan. If you are a married CSRS employee, the TSP must notify your spouse that you have requested a loan. For more information about loan requirements and restrictions, read the booklet *Thrift Savings Plan Loan Program*.

Portable Benefits. If you leave Government service and you do not want to leave your funds in the TSP, you can ask the TSP to transfer the vested amount in your account to an Individual Retirement Arrangement (IRA) or another eligible retirement plan that accepts such transfers. In this way, you continue to defer taxes on your retirement savings.

Choice of Investment Funds. All participants can invest in any or all of the three TSP funds without restriction. You can choose the investment mix that is right for you.

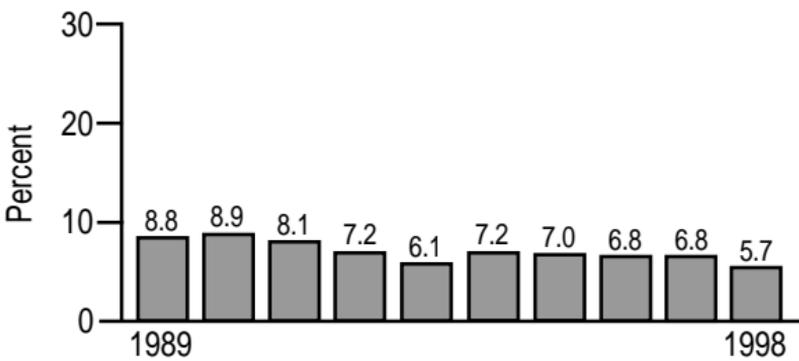
What are my investment options?

You have a choice of three investment funds: the G Fund, the C Fund, and the F Fund. The Plan Summary describes the three funds in detail.

The G Fund. The Government Securities Investment Fund is invested in short-term 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 securities outstanding with four or more years to maturity. The following chart shows the G Fund total rates of return (after expenses) for the 10 years through 1998.

G Fund Rates of Return

1989 – 1998 compound annual rate of return = 7.3%



There is no credit risk (risk of non-payment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (the risk that investments may fluctuate in value) 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.

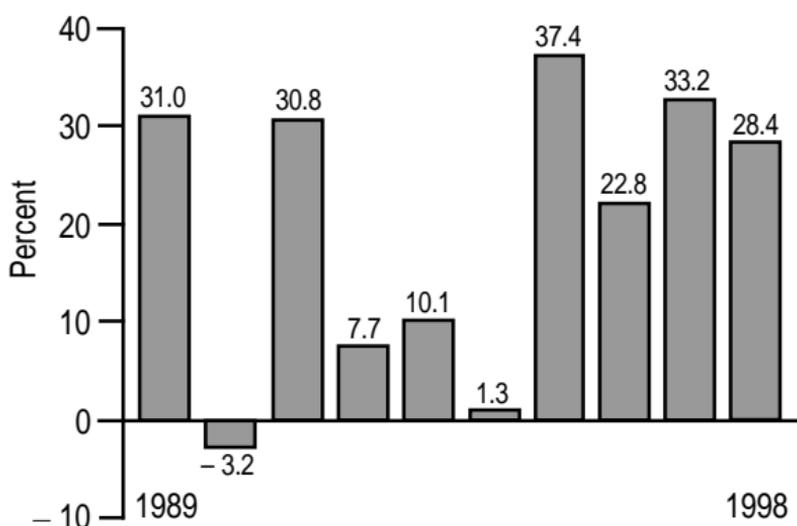
The C Fund. The Common Stock Index Investment Fund is invested in a Standard & Poor's 500 (S&P 500) stock index fund, which consists of the common stocks of all of the companies represented in the S&P 500 stock index.

The C Fund gives you the opportunity to diversify your 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, and the total return on the C Fund could be negative, resulting in a loss. The chart below shows the C Fund total rates of return (after expenses) for the 10 years through 1998.

C Fund Rates of Return

1989 – 1998 compound annual rate of return = 19.1%



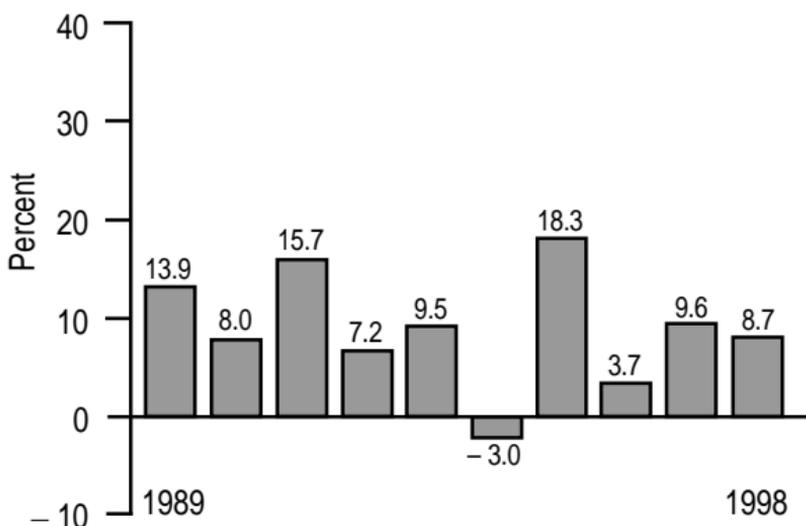
The F Fund. The Fixed Income Index Investment Fund is invested in a bond index fund that tracks the Lehman Brothers Aggregate (LBA) bond index. This bond index consists of high-quality fixed-income securities representing the U.S. Government, corporate, and mortgage-backed securities sectors of the U.S. 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 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 would result in losses. The chart below shows the F Fund total rates of return (after expenses) for the 10 years through 1998.

F Fund Rates of Return

1989 – 1998 compound annual rate of return = 9.0%



If you choose to invest in the C and/or the F Fund, you must sign a statement that you acknowledge the risks involved.

There is no assurance that future rates of return for the G, C, and F Funds will replicate the rates shown in the charts above. To find out more about each fund's advantages, risks, and performance history, see the Plan Summary. The *Guide to TSP Investments* also offers more detail about TSP investments.

Can I change the way the money in my account is invested?

Yes. You can transfer any portion of the money in your account among the G, C, and F Funds in any months that you choose. You can make your request on the TSP Web site (www.tsp.gov), the TSP ThriftLine, (504) 255-8777, or by submitting an Interfund Transfer Request (Form TSP-30) to the TSP Service Office. If your request is received by the 15th of the month, your transfer will be effective as of the end of that month. The TSP will send you a confirmation of the transfer. For more information, obtain the Fact Sheet "Using the ThriftLine."

How do I keep track of my account?

In late May and late November, the TSP will send you a Participant Statement showing your account activity for the previous six months. Check all of the information on your statement, including your address. Your statement and other important mailings are sent to the address that your agency reports to the TSP record keeper. Contact your agency personnel office if any corrections are necessary. You can also get your account balance by calling the Thrift-Line or visiting the TSP Web site.

What are my withdrawal options?

While you are still employed in Federal service, you can withdraw funds from your TSP account only in very limited circumstances and, if you are married, only with spouse consent (FERS) or spouse notice (CSRS). In-service withdrawals are limited to age-based withdrawals (for participants who are 59½ or older) and financial hardship withdrawals (for participants who can demonstrate financial hardship). See the booklet *TSP In-Service Withdrawals* for more information.

When you leave Federal service, your personnel office should give you the booklet *Withdrawing Your TSP Account After Leaving Federal Service*, important tax information, and withdrawal forms.

As a separated participant, you can leave your money in the TSP, where it will continue to accrue earnings. Or you can choose a TSP annuity (for accounts of \$3,500 or more), a single payment, or a series of monthly payments.

You can have all or part of a single payment or, in some cases, monthly payments transferred to an IRA or other eligible retirement plan.

If your vested account balance is \$3,500 or less, you will receive an automatic cashout unless you choose otherwise.

Spouses' rights requirements apply to vested accounts of more than \$3,500. If you are a married FERS employee, your spouse is entitled to a joint and survivor annuity unless he or she waives that right. If you are a CSRS employee, the TSP must notify your spouse of your withdrawal election.

Special Information Services

Your primary source of information about the TSP is the *Summary of the Thrift Savings Plan for Federal Employees*. Ask your personnel office for a copy of the Plan Summary. You may also be interested in the following special services:

TSP Web Site

www.tsp.gov

The TSP Web site is a comprehensive source of current information about the TSP, including TSP forms and publications. The Web site also includes rates of return for the G, C, and F Funds, Plan news, and calculators for projecting your account balance or estimating TSP annuity payments. Through the Web site, you can request or change a TSP Personal Identification Number (PIN).

If your Web browser meets TSP security requirements, you can use your PIN to obtain your account balance, to make, change, or cancel an interfund transfer request, and to get information about the status of your loan or withdrawal.

The Web site is accessible to visually impaired participants who use non-graphics browsers.

TSP ThriftLine

(504) 255-8777

The ThriftLine is an automated service accessible through any touch-tone telephone, 24 hours a day, 7 days a week (not a toll-free number). You can call for the most recent rates of return and to hear Plan news. You can also change or replace your PIN.

With your PIN, you can use the ThriftLine to check your account balance, to make, change, or cancel an interfund transfer request, and to get information about the status of your loan or withdrawal.

TSP Video

This animated presentation describes the basic features of the TSP. Ask your personnel office for a viewing. A captioned version is also available.

Text Telephone

(504) 255-5113

Hearing-impaired participants can contact the TSP Service Office, Monday – Friday, 7:45 a.m. – 4:15 p.m. (Central Time).