



HIGHLIGHTS

Open Season

October 15 – December 31

New Contribution Limits —

This open season, FERS participants can elect to contribute up to **14%** of basic pay, up to the IRS annual limit of \$13,000 in 2004. CSRS participants and members of the uniformed services can contribute up to **9%** of basic pay.

If you are age 50 or over and you are already contributing the maximum amount in regular contributions, you can make additional **catch-up contributions** of up to \$2,000 in 2003 and up to \$3,000 in 2004. You must make a new request each calendar year.

Lawsuit Settled — The TSP accepted a settlement offer from AMS, the initial (terminated) contractor for the new TSP record keeping system. The settlement netted \$5 million for participants. The \$36 million in administrative expenses that had already been expended was finally allocated to participants' accounts in July, resulting in a cost of approximately 30¢ per \$1,000 of account balance. More details are available in the Congressional testimony on the TSP Web site.

TSP Fund Balances

as of 8/31/2003

G Fund	\$ 53.0 billion
F Fund	\$ 12.0 billion
C Fund	\$ 49.0 billion
S Fund	\$ 3.0 billion
I Fund	\$ 1.0 billion
Total	\$118.0 billion
Participants	3.2 million

New Executive Director

Gary A. Amelio was appointed as Executive Director of the Federal Retirement Thrift Investment Board effective June 1, 2003. The Executive Director of the Board serves as the Chief Executive Officer and managing fiduciary of the TSP.

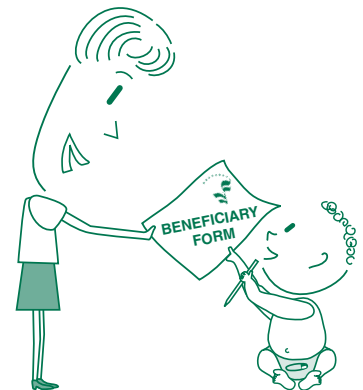
Mr. Amelio comes to the Board with substantial experience in pension plan administration and investments. Most recently, he served as Senior Vice President and Managing Director of the Retirement and Investment Services Department of PNC Bank, N.A., in Pittsburgh, Pennsylvania. Prior to his 14 years at PNC, Mr. Amelio spent seven years at Mellon Bank, N.A. Before that, he was employed in the tax department at Coopers and Lybrand. He is experienced in both the management and legal aspects of employee benefit plans. Mr. Amelio earned a J.D. from the University of Pittsburgh School of Law in 1981 and a B.A. from the University of Pittsburgh College of Arts and Sciences in 1978.

Now that the new system is up and running, Mr. Amelio intends to take a look at opportunities for enhancing the products and services available to participants while keeping administrative costs at a minimum. He is pleased to assume the management of one of the largest retirement plans in the world. 🌱

Got beneficiaries?

If you think you designated a beneficiary for your TSP account, you should check the top of your statement to make sure the TSP Service Office has your form on file.

Has your life situation changed because of a marriage, a divorce, the birth or adoption of a child or grandchild, or the loss of a spouse or relative? Does the TSP have the correct address for each of your beneficiaries? If it has been a while since you sent in your Designation of Beneficiary form, you might want to update it.



If you need to update your beneficiary information, you must complete a new form. Please be sure to use the latest version (dated 8/2002). You will find it in the Forms & Publications section of the TSP Web site. It is also available from the TSP Service Office or your agency or service.

Please remember that a will does not affect the payout of your TSP account. Your account will be paid only according to your instructions on your Designation of Beneficiary form. If you do not have a valid form on file, the TSP will pay your account to your survivors in the order of precedence set by law. 🌱

Participants Ask . . .



. . . about their statements

Q Why am I receiving my participant statement in October?

A The enclosed statement covers the 4-month period from June 1 through September 30, 2003. It is your first statement since the TSP changed to daily processing.

From now on, statements will be issued quarterly, for the calendar year quarters ending March 31, June 30, September 30, and December 31.

Be sure to compare your opening balance on this statement with the closing balance on your last statement (for the period ending May 31, 2003). That statement showed the balance in your account on the last day of the old record keeping system.

Q Why does this statement look so different from previous statements?

A On the new statement, you will notice three main differences:

- There's a new format.
- Your financial information is expressed in both dollar amounts and shares.
- If you have a TSP loan, information about your loan is included in this statement, rather than on a separate loan statement.

A new leaflet, "Understanding Your TSP Participant Statement," is enclosed with this mailing. We hope you will find it helpful.

Your Withdrawal Options

Have you thought about how you want to take your money out of the TSP when you leave the Government? Here is a brief look at the withdrawal options available to you:

Partial Withdrawal —

- You can receive part of your account in a single payment, leaving the rest in the TSP until later. (You can use this option only once.)
Note: If you have previously made an age-based in-service withdrawal, you cannot make a partial withdrawal.

Full Withdrawal —

- You can receive your entire account in a single payment.
- You can receive your entire account in monthly payments.
- You can have the TSP purchase a life annuity for you with your entire account balance.

Mixed Withdrawal —

- You can withdraw your entire account using any combination of the above three full withdrawal options.

After you leave Federal service, you can either take your money out immediately or leave it in the TSP until a later date. Your withdrawal can be paid to you by check or sent directly to your checking or savings account by electronic funds transfer. In many cases, you also have the option of transferring your money to a traditional IRA or eligible employer plan.

Before making any withdrawal decisions, you should read the booklet *Withdrawing Your TSP Account After Leaving Federal Service* and make sure you understand the various options and their tax consequences. Please remember that you cannot change your request once it is processed. 🧐

Pay it off!

If you have a TSP loan, it is important to repay it as soon as you can. And now, making TSP loan payments is easier than ever. As always, regular loan payments are deducted from your pay. But now you can also make extra payments to pay off your loan faster (or to make up for missed loan payments) by sending the TSP a personal check or money order. Here's how:

- Make your check payable to the Thrift Savings Plan.
- Write your Social Security number and the loan number on your check.
- Enclose a Loan Payment Coupon with your payment. (The coupon can be printed from the TSP Web site or photocopied from the *TSP Loan Program* booklet.) If you do not submit a completed coupon with the check, your payment may be delayed.
- Send your payment to the TSP Service Office, P.O. Box 61820, New Orleans, LA 70161-1820.

Are you paying off one loan so that you can apply for another? If so, please think twice. If you borrow from your account now, you may end up with substantially less at retirement. The TSP was never intended to function as a bank. You should think of your TSP account as a long-term investment. 🧐



It's nice to share!

When the TSP changed to daily valuation, it also changed the way it reports your account balance. Your balance is now provided to you in both dollars and shares. When you own shares, you own a piece of a company or fund. As a TSP participant, you now own shares in the funds in which you are invested.

The use of shares makes daily valuation possible. The price of a share is updated at the end of each business day. The change in the share price for each of the five TSP investment funds is determined by dividing that day's change in the value of the fund (after expenses) by the total number of shares in that fund.

Once the new daily share price is calculated, it is used for all account balance computations and transactions (such as contributions, interfund transfers, loans, and withdrawals) for that day.

For example, let's say you make a contribution of \$150 to the C Fund on a day when the C Fund share price is \$15.00 per share. As a result, your account would increase by 10 shares.

The TSP converted all fund balances into shares using an initial share price of \$10.00. The \$10.00 share price was selected because it was a round number that could easily be used to convert dollar balances into shares. This established a baseline, or starting point, as of May 31, 2003 (the last business day in the previous system). From that date forward, the share prices in each fund have changed at different rates, depending upon the returns of that investment fund.

You did not lose any money when your account was converted to shares. Your account balance in each investment fund was simply divided by \$10.00 to determine the number of shares you own.

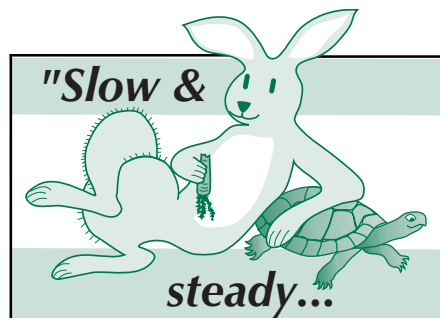
Let's say, for example, that as of May 31, you had \$13,289.76 in the C Fund. That was converted to 1,328.9760 shares. At \$10.00 per share, you still had \$13,289.76.

You can verify that the conversion was done correctly by comparing the ending balance on your previous participant statement (as of May 31, 2003) with the beginning balance on the enclosed statement (as of June 1, 2003).

The change to share-based accounting does not affect your investment returns. Under the previous dollar-based system, if you held \$10,000 in an investment fund at the beginning of a month and the net return for the month was 10%, at the end of the month you would have been credited with \$1,000.00 of earnings. Your month-end balance in that fund would be \$11,000.00 (assuming no contributions or loan payments were made during the month).

Under the new system, if at the beginning of the month you hold 1,000 shares of an investment fund which are worth \$10.00 per share (total value of \$10,000.00), and the share price increases by 10% (that is, to \$11.00 per share), you will still hold 1,000 shares, but those shares would be worth \$11,000.00 at the end of the month.

As you can see, either method of calculating your balance gives you the same result. 🐇



... wins the race." Sometimes faster isn't better. When it comes to your TSP account, patience and consistency are better.

Some TSP participants have been anxiously awaiting the new system because it offers them the chance to move their money from fund to fund as often as every day. They think they can improve their returns by constantly moving their money to adjust to trends in the market.

But just because you can do interfund transfers on a daily basis doesn't mean it's a good idea. Study after study has shown that people who try to be "market timers" rarely come out ahead at the retirement finish line.

There are times, however, when making an interfund transfer can be the right thing to do. It is a good idea to "rebalance" your account periodically. Amounts in one or more of your TSP funds may have become too large or too small because of gains or losses in the market. You should rebalance your account to make sure the proportion that is invested in each fund reflects your investment strategy.

Another way to gradually rebalance your account is to change the way your payroll contributions are invested. You can direct the new money you put into your account by changing your contribution allocation.

When it comes to your TSP account, set a steady pace, make decisions you can live with, be patient, and you'll be a winner!

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. The 2002 administrative expense ratio was 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, which tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. The LBA 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. The 2002 administrative expense ratio (including investment management fees) was 0.06%, or \$.60 for every \$1,000 of F Fund account balance.

The C Fund is invested in the Barclays Equity Index Fund, which tracks the Standard & Poor's (S&P) 500 stock index. The S&P 500 index includes stocks of 500 large and medium-size companies that are traded in the U.S. stock markets. The

2002 administrative expense ratio (including investment management fees) was 0.07%, or \$.70 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. The Wilshire 4500 index consists of the stocks that are actively traded in the U.S. stock markets except those in the S&P 500 index. The 2002 administrative expense ratio (including investment management fees) was 0.07%, or \$.70 for every \$1,000 of S Fund account balance.

The I Fund, established in May 2001, is invested in the Barclays EAFE Index Fund, which 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. The 2002 administrative expense ratio (including investment management fees) was 0.07%, or \$.70 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.

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 %
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
2002	5.0	10.3	10.3	–22.0	–22.1	–18.1	–17.8	–16.0	–15.9
Compound Annual Rates of Return 1993 – 2002									
	6.2	7.5	7.5	9.3	9.3	–	7.3	–	4.0
Monthly Returns for 2003									
Jan.	0.3	0.1	0.1	–2.7	–2.6	–2.4	–2.2	–4.2	–4.2
Feb.	0.3	1.4	1.4	–1.5	–1.5	–2.6	–2.5	–2.3	–2.3
Mar.	0.3	–0.0	–0.1	1.0	1.0	1.6	1.5	–1.9	–2.0
Apr.	0.3	0.8	0.8	8.3	8.2	8.3	8.3	9.8	9.8
May	0.3	1.9	1.9	5.3	5.3	9.4	9.5	6.1	6.1
June	0.2	–0.3	–0.2	1.2	1.2	2.2	2.4	2.3	2.4
July	0.3	–3.4	–3.4	1.8	1.8	4.6	4.7	2.3	2.4
Aug.	0.4	0.7	0.7	1.9	2.0	4.1	4.2	2.4	2.4

* 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 are for May through December.