



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
805 Fifteenth Street, NW Washington, DC 20005

November 1988

THRIFT SAVINGS PLAN HIGHLIGHTS

Your November 1988 Participant Statement mailing includes two additional items:

- This enclosure, which includes a summary of the performance histories of the three TSP investment Funds since their inception and those of corresponding securities over the past ten years and nine months.
- The Financial Statements of the Thrift Savings Fund (prepared by the Thrift Investment Board) and an opinion on the statements by Arthur Andersen & Co, which you will receive annually.

New Participant Statement. The Participant Statement has been redesigned to make it easier to read and understand:

- For participants covered by FERS (and equivalent retirement plans), a new summary is provided. The detailed account activity is presented, by Fund, on the back of the statement.
- For participants covered by CSRS (and equivalent retirement plans), statements have been streamlined to include only information that applies to CSRS participants.

You should review the information about you that is reported on your statement. If any of the information—*particularly your address*—is not correct, contact your agency employing office (or the TSP Service Office if you have left Government service). If your address is not correct, you may miss important mailings about your account.

Interfund Transfers. FERS participants who have contributed their own money to their TSP accounts will be able to request an interfund transfer of their unrestricted account balance among the three TSP Funds during this open season. If you are eligible, the Plan's recordkeeper will send you an Interfund Transfer Request form (TSP-30) and instructions. The deadline for receipt of your completed Interfund Transfer Request form by the Plan's recordkeeper is February 15, 1989.

Pay Increases. Many of you will receive the recently-approved 4.1 percent Federal pay increase or other pay increase in the coming months. You may wish to use part or all of your additional pay to increase your participation in the TSP to the maximum allowable percentage. By applying the increase to your TSP contributions, you can take greater advantage of the TSP tax savings feature and (for many FERS employees) the Agency Matching Contribution.

The Thrift Savings Plan Funds

These updated excerpts from the open season booklet, "Thrift Savings Plan for Federal Employees," supplement the information provided on your Participant Statement and describe the three Funds and their performance, over the past ten years and nine months. If you want more detailed information on the Funds and their risks and advantages, see the Investment Section of the booklet, which is available from your agency employing office (or, if you have left Government service, from the TSP Service Office).

The G Fund. This Fund is managed directly by the Thrift Investment Board and consists of investments in short-term nonmarketable U.S. Treasury securities specially issued to the Plan. All investments in the G Fund earn interest at a rate that is equal, by law, to the average of market rates of return on U.S. Treasury marketable securities outstanding with four or more years to maturity. The calendar-year total rates of return, based on the monthly rates (compounded) for such securities, for the last ten years and nine months are shown in the next column. These figures are based on the statutory rate of return and are stated without any reduction for Plan expenses:

Year	Statutory Rate of Return*
1978	8.51%
1979	9.51%
1980	11.57%
1981	14.18%
1982	13.56%
1983	11.61%
1984	13.13%
1985	11.33%
1986	8.29%
1987	8.73%
1978-1987 average rate of return on an annual basis 11.02%	
1988 January-September 9.17% (annualized statutory rate of return based on nine months of actual results)	
*These figures were calculated by the Thrift Investment Board.	

The actual rates of return for the G Fund, which has been in operation since April 1987, are presented in the following table. These rates are stated after deducting the administrative expenses of the Plan and are the rates used in the monthly allocation of earnings to participants' accounts.

Actual Rates of Return for the G Fund	
1987 April-December	
Nine Months	6.42%
Annualized	8.65%
1988	
January	0.69%
February	0.62%
March	0.66%
April	0.68%
May	0.71%
June	0.72%
July	0.72%
August	0.76%
September	0.76%
Nine Months	6.49%
Annualized	8.72%

The C Fund. The Thrift Investment Board has contracted with Wells Fargo Bank, a subsidiary of Wells Fargo & Co., to manage the C Fund. The C Fund is invested primarily in Wells Fargo's Equity Index Fund (a commingled stock index fund with \$12.4 billion in assets). The C Fund also includes temporary investments in the G Fund and certain other short-term securities pending purchase of these stocks and to cover liquidity needs such as loans and withdrawals from the Plan.

The Equity Index Fund is designed to replicate the performance of the Standard & Poor's (S&P) 500 stock index and has tracked the index closely since 1974. The calendar-year total rates of return for the Equity Index Fund and the S&P 500 stock index for the last ten years and nine months are shown on the reverse. These rates are stated without deduction of administrative, management, and trading expenses.

Year	Wells Fargo Equity Index Fund	S&P 500 Index*
1978	6.40%	6.40%
1979	18.49%	18.53%
1980	32.50%	32.38%
1981	4.62%	5.10%
1982	21.52%	21.09%
1983	22.37%	22.36%
1984	6.55%	6.12%
1985	32.32%	32.02%
1986	18.49%	18.55%
1987	5.23%	5.23%
1978-1987 average rate of return on an annual basis		
	15.34%	15.16%
1988 January-September		
	17.78%	18.08%
(annualized rate of return based on nine months of actual results)		
*Wilshire Associates' calculation of the performance of the S&P 500 index. (Wilshire Associates is an investment consulting firm.)		

The F Fund. This Fund, also managed by Wells Fargo, is a bond index fund invested primarily in Wells Fargo's Bond Index Fund (a commingled bond index fund with \$1.0 billion in assets). The Bond Index Fund consists of U.S. Treasury, corporate, and Federally-sponsored agency notes and bonds. Beginning in August 1988, the Fund also includes certain U.S. dollar denominated securities issued or guaranteed by foreign or international entities in the United States. The F Fund, like the C Fund, may have temporary investments in the G Fund and certain other short-term securities pending purchase of these notes and bonds and for liquidity requirements. The Bond Index Fund is intended to replicate the performance of the Shearson Lehman Hutton Government/Corporate (SLHGC) bond index and has tracked the index since the Fund began in 1984.

The calendar-year total rates of return for the Bond Index Fund since it began and the SLHGC bond index for the last ten years and nine months are shown below. These rates are stated without deduction of administrative, management, and trading expenses.

Year	Wells Fargo Bond Index Fund*	SLHGC Bond Index**
1978		1.19%
1979		2.30%
1980		3.06%
1981		7.26%
1982		31.09%
1983		8.00%
1984	15.06%	15.02%
1985	21.32%	21.30%
1986	15.53%	15.62%
1987	2.25%	2.29%
1984-1987 average rate of return on an annual basis		
	13.32%	13.34%
1978-1987 average rate of return on an annual basis		
		10.33%
1988 January-September		
	8.90%	8.80%
(annualized rate of return based on nine months of actual results)		
*The Wells Fargo Bond Index Fund was established in 1984.		
**Shearson Lehman Hutton's calculation of the Shearson Lehman Hutton Government/Corporate (SLHGC) bond index.		

How well did the C and F Funds track the Wells Fargo Funds?

The C and F Funds underperformed the Wells Fargo Equity Index Fund and the Wells Fargo Bond Index Fund, respectively, in the first nine months of 1988 primarily because the C and F Funds did not participate in the strong returns for the Wells Fargo funds in January. The first C and F Fund investments in the Wells Fargo funds occurred on January 29, 1988. Administrative expenses, Wells Fargo investment manager fees, and trading costs also reduced C and F Fund returns.

Wells Fargo accepts contributions to its funds only on certain dates during the month; the Board invests balances awaiting transfer in the G Fund or other short-term securities. Because contributions to the C and F Funds are not invested entirely in the Wells Fargo index funds on a daily basis, the performance of the C and F Funds may be somewhat greater or less than the Wells Fargo funds (or the S&P 500 index and the SLHGC bond index). As the C and F Funds grow, a decreasing percentage of assets will be invested in short-term securities and the effect of these securities on the performance of the C and F Funds will diminish.

Finally, returns on the C and F Funds may not exactly track published returns for the S&P 500 or the SLHGC bond index (or the respective Wells Fargo funds) because the published return figures generally assume a constant account balance for the entire period. The C and F Fund returns represent actual dollar earnings allocated to participants and are influenced by cash flows into and out of the Funds, which change the Fund balances during the period. Likewise, your return is based on the balance invested in your account, which will vary throughout the period as contributions and earnings (or losses, if any) are allocated to your account.

How has the C Fund performed in 1988?

The C Fund has been in operation since January 1988. The rates of return presented below are shown after administrative expenses of the Plan and the management fees and trading costs of the C Fund were deducted. These rates of return were used in the monthly allocation of earnings to participants' accounts.

1988	C Fund	Wells Fargo Equity Index Fund*
January	0.20%	4.22%
February	4.82%	4.67%
March	3.47%	3.01%
April	0.73%	1.03%
May	1.42%	0.76%
June	4.08%	4.62%
July	0.24%	0.42%
August	2.74%	3.29%
September	4.12%	4.22%
January-September		
Nine Months	8.49%	13.09%
Annualized	11.45%	17.78%
*Tracks the S&P 500 index.		

How has the F Fund performed in 1988?

The F Fund has been in operation since January 1988. The rates of return presented below are shown after administrative expenses of the Plan and the management fees and trading costs of the F Fund were deducted. These rates of return were used in the monthly allocation of earnings to participants' accounts.

1988	F Fund	Wells Fargo Bond Index Fund*
January	0.06%	3.47%
February	0.81%	1.13%
March	0.80%	1.01%
April	0.46%	0.59%
May	0.63%	0.68%
June	1.97%	2.26%
July	0.49%	0.55%
August	0.33%	0.27%
September	2.07%	2.23%
January-September		
Nine Months	2.72%	6.62%
Annualized	3.64%	8.90%
*Tracks the Shearson Lehman Hutton Government/Corporate bond index.		