May 2000

Thrift Savings Plan HIGHLIGHTS

Open Season: May 15 – July 31, 2000

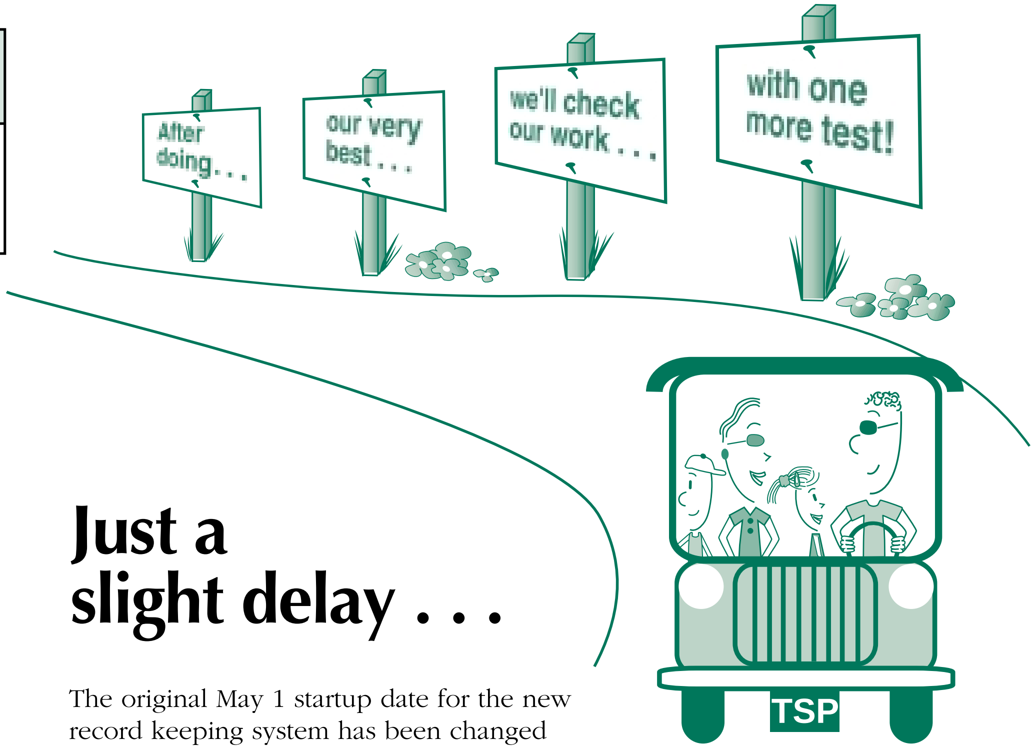
Inside . . .

Revised Plan Materials — The *Summary of the Thrift Savings Plan for Federal Employees* has been revised to include information about the new record keeping system and other important changes to the TSP. In early August, active participants will be given a copy of the Plan Summary by their personnel offices. Separated participants will receive their copies in the mail. Keep your copy of the new Plan Summary for future reference. Earlier versions should be discarded.

The *Guide to TSP Investments* will also be revised. It will include investment information through 1999, as well as detailed descriptions of upcoming TSP operational changes. This booklet is intended for TSP participants who have read the Plan Summary but want more information on TSP investment options and TSP operations and procedures. The new Guide will be available in late August.

★ TSP Fund Balances ★
as of 3/31/2000

G Fund	$ 31.4 billion
C Fund	$ 62.9 billion
F Fund	$ 3.9 billion
Total	$ 98.2 billion
Participants	2.5 million



Just a slight delay . . .

The original May 1 startup date for the new record keeping system has been changed to October 1 so that all aspects of the new system can be thoroughly tested before the system is implemented. This lengthens the journey, but because the system must maintain the accounts of 2.4 million participants with assets of more than 98 billion, the detour is a prudent one.

If you are like most TSP investors (who are content with their current investment choices and who simply contribute money each pay period and occasionally check their balances), you will be unaffected by the delay. But just to be sure, you should read through the list below to see if the October implementation date will change any plans you may have for your TSP account. (Also, if you find any errors in your May statement, have them corrected now, before we convert to the new system.)

- The **two new funds** will not be available to participants until October 1, 2000. If you have been planning to invest in the stocks of smaller companies and in international stocks, you will have to wait just a bit longer. Remember that the S and I Funds will be the most volatile TSP funds — and they can go down just as quickly as they can go up. Before you jump in, read about the new S and I Funds in this newsletter and in two revised TSP booklets — the *Summary of the Thrift Savings Plan for Federal Employees* and the *Guide to TSP Investments* — both available in August 2000. You can also review the performance of the Wilshire 4500 and EAFE indexes (which are tracked by the S and I Funds, respectively) on page 4 of this newsletter or in the Rates of Return section of the TSP Web site at www.tsp.gov.

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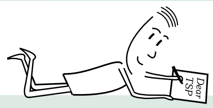
Participants Ask . . .



. . . about new legislation

Q Will the proposed legislation (H.R. 208) affect me and my TSP account?

A There are two provisions of the legislation that would affect TSP participants.

First, H.R. 208 would permit the TSP to accept transfers from other retirement savings plans (under the same conditions as apply to private-sector 401(k) plans). For example, if you have retirement money in a previous employer's 401(k) plan, H.R. 208 would allow you to move that money into the TSP in order to consolidate your retirement investments.

Another provision of H.R. 208 would allow new Federal employees to contribute to the TSP without the current six- to twelve-month waiting period. (Currently, newly hired employees must wait to enroll in the TSP until the second open season after they enter Federal service.)

Although there is never certainty that any bill will become law, H.R. 208 has already been passed by the House of Representatives with bipartisan support. (The Administration also included a proposal similar to H.R. 208 in its fiscal year 2001 budget.) Assuming that the legislation is enacted, the new system implementation will coincide with the anticipated availability of the benefits of H.R. 208. (The new system will be implemented in October 2000 even if H.R. 208 is not enacted.)

Just a slight delay . . . *(Continued from page 1)*

- If you are planning to apply for a **loan** or **withdrawal** in the next few months, you should be aware that the processing of your request may be delayed during the month of September when we convert to the new system. You should submit your request so that it is received by August 15. Requests received after August 15 may not be able to be completed under the current system. You may have to wait until October to receive a loan and you may be required to submit new withdrawal forms.
- Paper requests for **interfund transfers** and **personal identification numbers** (PINs) received after August 15 will be held until October 2000. Web and ThriftLine requests will be blocked between August 16 and September 30.
- Your next **participant statement** (covering the period May 1 – August 31) will be the last one for the current system. The first statement in the new system (September 1 – December 31) will be formatted to show you the number of shares you have in each fund as well as your dollar balances. Beginning in 2001, statements will be mailed to you quarterly (with balances as of March 31, June 30, September 30, and December 31).
- If you have an existing loan, you will receive your last *separate* **loan statement** in September (for the period May 1 – August 31). After that time, loan information will appear on your participant statement.
- New **withdrawal options** will be available beginning in October. These are described in the revised Plan Summary and in the revised booklet *Withdrawing Your TSP Account After Leaving Federal Service* (5/2000), which will be available from your personnel office and the TSP Web site beginning in August. Requests for the new withdrawal options will require the new system forms. (Previous versions of the withdrawal forms will be rejected after August 15, regardless of the option you choose.)
- In October, enhanced **Web** and **ThriftLine** capabilities (such as initiating a loan or withdrawal request on-line, and reaching a customer service representative directly from the ThriftLine) will be available.
- Beginning October 1, accounts will be updated after the end of each business day (rather than monthly) and any transactions, such as interfund transfers or payments of loans and withdrawals, will be completed following the **daily valuation** of accounts.

When we reach our destination and the new system is up and running, the TSP will provide even better service to Federal employees — more investment choices, quicker access to account information, more electronic transactions, and faster processing. The detour will be worth the extra time!

Other TSP News

The IRS annual limit for elective deferrals for calendar year 2000 is $10,500. If you are a FERS employee and your salary is more than $105,000, you may miss out on agency matching contributions if you reach the annual limit before the end of the calendar year. To maximize your contributions, see the Fact Sheet "Annual Limit on Elective Deferrals," available from your personnel office or the TSP Web site.

You will receive a special mailing in August from the TSP which will include information about the new system changes, the new investment funds, enhanced features on the Web and ThriftLine, and tips on managing your TSP account.

Thrift Savings Plan Investment Information

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 in-vestments. **The S and I Funds will not be available for investment until October 2000.**

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. 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 other TSP funds over the long term.

Table 1 presents the 1990 – 1999 G Fund total rates of return, after deducting TSP administrative expenses; there is no assurance that future rates of return for the G Fund will replicate any of these rates. TSP administrative expenses reduced the 1999 G Fund return by 0.05%, or $.50 for every $1,000 of G Fund account balance.

Table 1

Year	G Fund
1990	8.9%
1991	8.1%
1992	7.2%
1993	6.1%
1994	7.2%
1995	7.0%
1996	6.8%
1997	6.8%
1998	5.7%
1999	6.0%
1990 – 1999 compound annual rate of return	7.0%

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, 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 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 2 shows the 1990 – 1999 total rates of return for the F Fund (after deducting expenses) and the LBA bond index; there is no assurance that future F Fund rates of return will replicate any of these rates. TSP administrative expenses and F Fund investment management fees reduced the 1999 F Fund return by 0.07%, or $.70 for every $1,000 of F Fund account balance.

Table 2

Year	F Fund	LBA Bond Index*
1990	8.0%	9.0%
1991	15.7%	16.0%
1992	7.2%	7.4%
1993	9.5%	9.8%
1994	– 3.0%	– 2.9%
1995	18.3%	18.5%
1996	3.7%	3.6%
1997	9.6%	9.7%
1998	8.7%	8.7%
1999	– 0.8%	– 0.8%
1990 – 1999 compound annual rate of return	7.5%	7.7%

** Through December 1990, the F Fund was invested in the Barclays Bond Index Fund, which tracked the Lehman Brothers Government/Corporate bond index.*

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 lessening the effect that the poor performance of an individual stock or industry will have on overall investment performance. The primary source of earnings is the net changes in the prices of stocks, although dividend income is also an important source of earnings. 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 3 shows the 1990 – 1999 total C Fund rates of return (after deducting expenses) and the S&P 500 stock index returns; there is no assurance that future rates of return for the C Fund will replicate any of these rates. TSP administrative expenses and C Fund investment management fees reduced the 1999 C Fund return by 0.06%, or $.60 for every $1,000 of C Fund account balance.

Table 3

Year	C Fund	S&P 500 Index
1990	– 3.2%	– 3.1%
1991	30.8%	30.5%
1992	7.7%	7.6%
1993	10.1%	10.1%
1994	1.3%	1.3%
1995	37.4%	37.6%
1996	22.8%	23.0%
1997	33.2%	33.4%
1998	28.4%	28.6%
1999	21.0%	21.0%
1990 – 1999 compound annual rate of return	18.2%	18.2%

(Continued on page 4)

TSP Investment Information (Continued from page 3)

Two new investment funds will be available to participants in October 2000.

The S Fund (Small Capitalization Stock Index Investment Fund) will be invested in the Barclays Extended Market Index Fund, which tracks the Wilshire 4500 stock index. The Wilshire 4500 index represents approximately 25% of the market value of the U.S. stock markets. It consists of the stocks that are actively traded in the U.S. stock markets, except those in the S&P 500 index. The primary source of earnings is the net changes in the prices of stocks, although dividend income is also an important source of earnings. Although the S Fund will be diversified among industries and companies, losses will occur if and as the value of the Wilshire 4500 index declines in response to changes in overall economic conditions. The Wilshire 4500 index returns tend to fluctuate more than S&P 500 index returns because the prices of the stocks of the smaller companies in the Wilshire 4500 index tend to react more strongly (positively and negatively) to changes in the economy. Therefore, S Fund investments are expected to be more volatile than C Fund investments. The total S Fund return could be negative, resulting in a loss.

The I Fund (International Stock Index Investment Fund) will be invested in the Barclays EAFE Index Fund, a commingled fund that tracks the Europe, Austral-asia, and Far East (EAFE) stock index. The EAFE index consists of the stocks of companies in 20 countries representing 46% of the value of the world stock markets. (The U.S. stock market represents 46% of the world stock markets.) The primary source of earnings is the net changes in the prices of stocks, although, at times, net foreign currency changes relative to the U.S. dollar can be a greater component of earnings than stock price gains or losses. Dividend income is also an important source of earnings. The EAFE index is broadly diversified among countries and industries, so that the effect of poor performance in one stock market or group of companies is reduced. Losses will occur if and as the value of the EAFE index declines in response to changes in overall economic conditions or to increases in the value of the U.S. dollar. EAFE index returns tend to fluctuate more than S&P 500 index or Wilshire 4500 index returns; therefore, I Fund investments are expected to be more volatile in the short run than C or S Fund investments. The total I Fund return could be negative, resulting in a loss.

Table 4 shows the 1990 – 1999 total rates of return for the Wilshire 4500 index and the EAFE index.

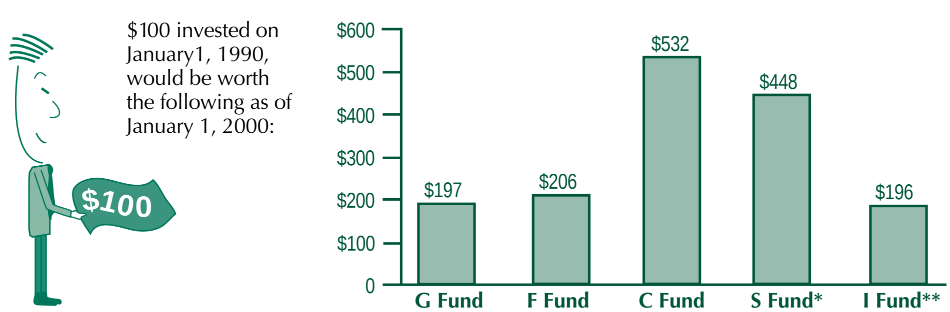
Table 4

Year	Wilshire 4500 Index	EAFE Index
1990	– 13.6%	– 23.6%
1991	43.5%	12.2%
1992	11.9%	– 12.2%
1993	14.6%	32.7%
1994	– 2.7%	7.8%
1995	33.5%	11.3%
1996	17.2%	6.1%
1997	25.7%	1.6%
1998	8.6%	20.1%
1999	35.5%	26.7%
1990 – 1999 compound annual rate of return	16.2%	7.0%

Recent performance of the TSP funds. Table 5 presents the monthly rates of return of the three current TSP funds (after expenses), which were used in crediting earnings to your account. For more information about the G, F, and C Funds, see the Plan Summary.

Table 5

Month	G Fund	F Fund	C Fund
1999			
April	0.5%	0.3%	3.9%
May	0.5%	– 0.9%	– 2.4%
June	0.5%	– 0.3%	5.5%
July	0.5%	– 0.4%	– 3.1%
August	0.5%	– 0.1%	– 0.5%
September	0.5%	1.2%	– 2.8%
October	0.5%	0.4%	6.3%
November	0.5%	0.0%	2.0%
December	0.5%	– 0.5%	5.9%
2000			
January	0.6%	– 0.3%	– 5.0%
February	0.5%	1.2%	– 1.9%
March	0.6%	1.3%	9.7%
12 months	6.4%	1.9%	17.7%



* Based on the returns of the Wilshire 4500 index, which the S Fund will track.

** Based on the returns of the Europe, Australasia, and Far East index, which the I Fund will track.