MAY 1991

Highlights for Thrift Savings Plan Participants

TSP Open Season: May 15 - July 31, 1991

Here's what you'll need to make your open season decisions:

- ❑ **Open Season Update** — briefly describes TSP features and the three investment Funds, tells you how much you can contribute, and how to sign up. If you have not yet received your Update, contact your agency employing office.

- ❑ **Summary of the Thrift Savings Plan for Federal Employees, September 1990** — essential detailed information about TSP features and the three investment Funds. If you do not yet have your copy, contact your agency employing office. If you have left Federal service, contact the TSP Service Office at the address on your Participant Statement.
- ❑ **Election Form (TSP-1)** — to start contributing, change how much you are contributing, or change the way your contributions are invested. Get Form TSP-1 from your agency employing office.

> The IRS limit on TSP contributions in 1991 is $8,475. Depending on the amount you contribute, if you are a FERS employee who makes more than $84,750 a year, you may reach the annual limit before the end of the year and lose Agency Matching Contributions. Ask your agency employing office for the TSP Fact Sheet, "Annual Limit on Elective Deferrals."

Participants Ponder C and F Funds

When restrictions on TSP investments in the C Fund (stocks) and the F Fund (bonds) were lifted last January, we were flooded with questions about these Funds, especially from CSRS participants who were participating in the C and F Funds for the first time. We got the message that many of you want to know more about choosing an appropriate investment mix for your retirement savings: which TSP Funds offer the best returns and what is a good strategy for achieving higher returns while minimizing risk.

Returns versus risks. As the discussion on pages 3 and 4 of these Highlights shows, the average annual returns over the last ten years were 13.84% for C Fund securities, 13.10% for F Fund securities, and 10.78% for G Fund securities. Thus, you can see that the ten-year returns were higher for C and F Fund securities than for G Fund securities. However, the C and F Funds are riskier than the G Fund, in part because their returns fluctuate much more from year to year (as the tables on pages 3 and 4 show).

The volatility of stock and bond markets can take participants by surprise. For example, after observing the 1989 performance of the Funds (31.03% in the C Fund, 13.89% in the F Fund, and 8.81% in the G Fund), a number of participants made interfund transfers to move a portion of their account balances out of the G Fund and into the C and F Funds. But then in 1990 the markets changed, and the G Fund's return of 8.90% was greater than the F Fund's return of 8.00%, and *much* greater than the C Fund's return, which was a loss of –3.15%.

The 1989-90 experience underlines the question on many participants' minds, "How can I benefit from the higher long-term returns of the stock and bond markets and minimize the risk of getting in or out of these markets at the wrong times?"

A way to minimize risk. Many investment experts recommend that stocks and bonds be purchased in fixed amounts regularly and frequently over time so that the average prices of your purchases are close to average stock and bond market prices. (Funds invested in this way buy more bonds or shares of stock when prices are low and fewer bonds or shares of stock when prices are high, generally resulting in average purchase prices which are actually lower than average market prices over time.)

This strategy of investing fixed amounts regularly over time, commonly referred to as ***dollar cost averaging,*** reduces the risk of making large investments in stocks and bonds at relatively high prices. However, even dollar cost averaging cannot protect against a loss when stock and bond markets are declining. TSP participants can

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? Participants Ask

Q ***Why does my Participant Statement look different this time?***

A We made some changes in your Participant Statement to accommodate the fact that investment restrictions were lifted beginning in January 1991.

If you are a FERS participant, you can now invest the contributions that your agency makes to your account in the C and F Funds. Thus, we expanded the information on the statement so that you can check to be sure that all contributions are allocated among the three Funds as you requested.

If you are a CSRS participant, you can now invest your contributions in all three TSP Funds. The statement shows how your contributions are allocated among the three Funds.

Q ***Do I hold shares in the C and F Funds as in a mutual fund?***

A Although the TSP purchases and holds shares in the Wells Fargo funds (discussed on pages 3 and 4 of these Highlights), individual participants do not "own" shares. C and F Fund contributions are shown on your Participant Statement in dollars; the month-end balances shown on your Participant Statement represent the market value — in dollars — of your C or F Fund investments on that date.

Thus, your month-end C or F Fund balance is comparable to the amount obtained by multiplying the number of shares

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Participants Ask *Continued*

held in a mutual fund by its net asset value per share. Once a month, C and F Fund earnings are allocated to participants' accounts in proportion to the size of their C and F Fund balances. The earnings represent the change in the value of the securities from the previous month end, as well as those purchased during the month, and dividend income (C Fund) and interest income (F Fund) earned during the month. Thus, the monthly crediting of earnings adjusts the value of your C and F Fund investments just as the change in net asset value adjusts the value of shares held in a mutual fund.

Participants Ponder *Continued from page 1*

follow a dollar cost averaging strategy by contributing to the C and F Funds through regular payroll deductions. Contributions are then invested in the stock and bond markets as soon as possible after receipt — four times a month for the C Fund (at the closing S&P 500 stock prices on the days the investments are made) and twice a month for the F Fund (at the closing bond market prices on the days the investments are made).

The role of interfund transfers. If you are just beginning to invest in the C and F Funds, TSP interfund transfers can help you to get your initial investment mix the way you want it so you can then follow a long-term investment strategy such as dollar cost averaging. The interfund transfer is also a way to change your investment mix to adjust to occasional changes in your overall financial situation, such as a change in your other investments, marital status, or family circumstances. If you plan to withdraw your entire account balance, you may also wish to use interfund transfers during the period prior to your withdrawal, to gradually shift funds from the C or F Fund to the G Fund. This would help to reduce the risk of withdrawing your entire C or F Fund balance on one day, when the stock or bond market might be at a relatively low point.

Interfund transfers are made on the last business day of each month at the closing stock and bond market prices on that day. TSP participants can make up to four interfund transfers each year.

☎ TSP Inquiry Line — (504) 255-8777

(not a toll-free number)

Call the TSP Inquiry Line to find out your account balance in the G, C, and F Funds, the amount you may be eligible to borrow from your account (if you are employed), the current interest rate for TSP loans, and the status of your withdrawal request (if you are separated). You can also ask for an Interfund Transfer Request (Form TSP-30).

Call from a Touch-Tone telephone and have on hand your Social Security number and your Personal Identification Number (PIN), which is printed on your Participant Statement.

Telecommunications Device for the Deaf (TDD)

Monday through Friday: 7:45 a.m. – 4:15 p.m. (CST) **(504) 255-5113**

(not a toll-free number)

Thrift Savings Plan Investment Information

The Thrift Investment Board has recently renewed its contracts with Wells Fargo Institutional Trust Company (Wells Fargo), a company jointly owned by Wells Fargo Nikko Investment Advisors and Wells Fargo and Co., to manage C and F Fund assets. The G Fund is managed directly by the Board.

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.*

Government Securities Investment Fund

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 minimized by the Board's current policy of investing the G Fund in short-term rather than longer-term securities.

The table to the right presents the calendar-year total rates of return for the last ten years for G Fund related securities, based on the monthly rates (compounded) for such securities. The table also shows the actual 1988-1990 G Fund rates of return, after deducting administrative expenses of the Plan. Plan expenses reduced the 1990 return by 0.11%, or $1.10 for every $1,000 of G Fund account balance. There is no assurance that future rates of return for the G Fund will resemble any of these rates.

Year	G Fund	Related Securities
1981		14.18%
1982		13.56%
1983		11.61%
1984		13.13%
1985		11.33%
1986		8.29%
1987		8.73%
1988	8.81%	9.19%
1989	8.81%	9.01%
1990	8.90%	8.97%
1981 - 1990 average annual rate of return		10.78%

Common Stock Index Investment Fund

The C Fund is invested in the Wells Fargo 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 sometimes provide, 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. The total return on the C Fund could be negative, resulting in a loss.

The table below presents the calendar-year total rates of return for the Wells Fargo Equity Index Fund and the S&P 500 stock index for the last ten years. The table also shows the 1988-1990 C Fund rates of return (after deducting expenses). TSP administrative expenses and C Fund investment management fees reduced the 1990 C Fund return by 0.13%, or $1.30 for every $1,000 of C Fund account balance. There is no assurance that future rates of return for the C Fund will resemble any of these rates.

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Year	C Fund	Wells Fargo Equity Index Fund	S&P 500 Index*
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%
1988	11.84%**	16.60%	16.83%
1989	31.03%	31.61%	31.53%
1990	−3.15%	−3.19%	−3.18%
1981 - 1990 average annual rate of return		13.99%	13.84%

* *Calculated by Wilshire Associates.*

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

Investment Information

Continued from page 3

Fixed Income Index Investment Fund

The F Fund is invested in the Wells Fargo U.S. Debt Index Fund, a commingled fund that tracks the Shearson Lehman Brothers Aggregate (SLBA) 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 in periods of generally declining market interest rates. At such times, the values of the longer-term securities held in the F Fund should increase, unlike those of the short-term securities held in the G Fund. The F Fund has the potential for negative returns (especially when market interest rates are increasing), which could result in a loss.

The table to the right presents the calendar-year total rates of return for the Wells Fargo U.S. Debt Index Fund and the SLBA bond index for the last ten years. The table also shows the 1988-1990 rates of return for the F Fund (after deducting expenses). TSP administrative expenses and F Fund investment management fees reduced the 1990 F Fund return by 0.13%, or $1.30 for every $1,000 of F Fund account balance. There is no assurance that future rates of return for the F Fund will resemble any of these rates.

TSP Accounts as of 3/31/91

G Fund	$ 7,974 million
C Fund	$ 379 million
F Fund	$ 125 million
Total accounts	$ 8,478 million

Year	F Fund	Wells Fargo U.S. Debt Index Fund*	SLBA Bond Index**
1981			6.25%
1982			32.62%
1983			8.35%
1984			15.15%
1985			22.11%
1986			15.26%
1987		2.52%	2.76%
1988	3.63%***	7.93%	7.89%
1989	13.89%	14.45%	14.53%
1990	8.00%	8.89%	8.96%
1987 - 1990 average annual rate of return		8.36%	8.45%
1981 - 1990 average annual rate of return			13.10%

* *Established in July 1986. Prior to January 1990, the Wells Fargo U.S. Debt Index Fund tracked the Salomon Brothers Broad Investment Grade index.*

** *Calculated by Shearson Lehman Brothers, Inc.*

*** *The first F Fund investment in the bond market occurred on January 29, 1988. Through December 1990, the F Fund was invested in the Wells Fargo Bond Index Fund, which tracked the Shearson Lehman Brothers Government/Corporate bond index.*

Recent performance of the TSP Funds. The monthly rates of return (after expenses) for the 12 months through March 1991 are presented below. These rates of return are used in crediting earnings to your account each month:

Month	G Fund	C Fund	F Fund
1990			
April	0.71%	−2.52%	−0.94%
May	0.76%	9.44%	2.80%
June	0.71%	−0.71%	1.56%
July	0.72%	−0.36%	1.24%
August	0.72%	−8.65%	−1.42%
September	0.73%	−4.85%	0.81%
October	0.76%	−0.46%	1.32%
November	0.70%	6.36%	2.15%
December	0.70%	2.72%	1.46%
1991			
January	0.69%	4.55%	1.15%
February	0.62%	7.07%	0.86%
March	0.68%	2.40%	0.67%
12 months	8.83%	14.36%	12.23%

Is your address up to date?

If you are actively employed, we mail your Participant Statement and other important information about your account to the address that your agency maintains in your TSP account records. If you move, be sure to notify your agency so that they can submit your new address to the TSP.

If you have left Federal service, you can either submit a Change of Address card (Form TSP-9), or write a letter to the TSP Service Office that includes your name, Social Security number, date of birth, complete new mailing address, daytime telephone number, and signature.

☆ U.S. G.P.O. 1991-567-009