



Thrift Savings Plan BULLETIN

for Agency TSP Representatives

Subject: Implementation of the New Record Keeping System

Date: July 10, 2000

The new Thrift Savings Plan (TSP) record keeping system will **not** be implemented October 1, 2000. As explained in the attached press release, the contractor, American Management Systems (AMS), has not made sufficient progress in testing the system and in fixing the numerous software defects disclosed by the testing to date. The Federal Retirement Thrift Investment Board will announce the new implementation date once AMS completes testing of the system and reports that all significant software defects it has discovered have been fixed.

Continue current processing and reporting procedures until the new system is implemented. The enhancements and changes to the TSP which will occur when the new record keeping system is implemented (and which were explained in TSP Bulletin 00-6, Processing Agency Submissions in the New Record Keeping System, dated March 30, 2000) will also be deferred. The next TSP open season will be November 15, 2000, through January 31, 2001 (not October 15 through December 31, 2000, as announced in that bulletin). During that open season (and any other that precedes the implementation of the new system), participants will continue to file both contribution elections (to change the amount of their TSP contributions) and contribution allocations (to change the investment of their future TSP contributions) with their agencies.

Agencies will continue to process these elections, which cannot be made effective before the first full pay period of the last month of the open season. In addition, until the new system is implemented, agencies will continue to report contributions to the TSP record

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Inquiries: Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

Chapter: This bulletin may be filed in Chapter 2, General Information.

Supersedes: This bulletin supersedes TSP Bulletin 00-2, Implementation of the New Record Keeping System, dated January 19, 2000.

keeper by source (Employee, Agency Automatic (1%), or Agency Matching Contributions) and investment fund (Government Securities Investment (G), Fixed Income Index Investment (F), and Common Stock Index Investment (C) Fund), using the current record layouts and Form TSP-2, Certification of Transfer of Funds and Journal Voucher.

Agencies must also continue to provide the current versions of TSP forms and products to their participants. If agencies exhaust their supply of any product (e.g., the *Summary of the Thrift Savings Plan for Federal Employees*), they should order the product by following the procedures contained in TSP Bulletin 95-1, dated January 3, 1995. If agencies exhaust their supply of any form, they may order the form, reproduce it locally, or download it from the TSP Web site (www.tsp.gov).

Notification to participants. In addition to the press release, the TSP has sent a letter to all participants to inform them of the extension of the delay in implementing the new record keeping system. A copy of the letter is attached. The TSP Web site contains the press release, the letter, and answers to questions that participants may have after they receive this letter (see the Current Information section). A copy of the questions and answers is also attached.

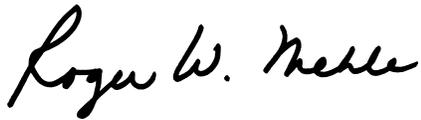
Changes to TSP Bulletin 00-6. The procedures and processing changes for the new system which are explained in TSP Bulletin 00-6 will not change. In addition, the record layouts that are attached to TSP Bulletin 00-6 will not change. Consequently, that bulletin will **not** be superseded.

However, certain dates specified in TSP Bulletin 00-6 are no longer valid. All references to the date October 1, 2000, should be ignored because the new system will not be implemented then. The dates on page 5 of the bulletin which explain how the TSP will derive contribution allocations should also be ignored because these dates were predicated on an October 1, 2000, implementation. Finally, FERS employees who are first appointed during the period January 1 through June 30, 2000, will become eligible to participate in the TSP the first pay period in January 2001 (not December 2000, as noted in the footnote on page 5) because the next open season's election period is January 2001. A future bulletin will announce the new implementation date and other related dates.

In addition, a minor change has been made to the certification statement on the Form TSP-2 that was attached to TSP Bulletin 00-6. A future bulletin will transmit this revised form.

Agencies should continue to use all other information and the record layouts provided by TSP Bulletin 00-6 to make the necessary changes to their payroll systems. Information about testing these agency changes will be sent directly to the TSP payroll coordinators.

Agency representative training. The TSP training schedule for 2000 (attached to TSP Bulletin 00-4, dated March 8, 2000) will not change. Each of the scheduled courses will include information on the changes to the TSP that will occur when the new record keeping system is implemented, but new materials (e.g., forms and booklets) will not be available by July 2000. However, advance copies of new forms may be provided in sessions later this year.



ROGER W. MEHLE
Executive Director

Attachments: Press Release
 Letter to TSP Participants
 Questions & Answers Regarding the Deferred Implementation of the New
 Record Keeping System



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

FOR IMMEDIATE RELEASE

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BOARD EXTENDS DELAY OF NEW RECORD KEEPING SYSTEM IMPLEMENTATION

Washington, D.C. (June 13, 2000) - The Federal Retirement Thrift Investment Board announced today that the scheduled implementation of the new Thrift Savings Plan (TSP) record keeping system has been postponed because the contractor has not made sufficient progress in testing the system and in fixing numerous software defects disclosed to date. Roger W. Mehle, Executive Director of the Board, announced that a new implementation date will not be set at this time. "Although the Board's contractor has suggested a spring 2001 implementation, it would be premature, given previous missed commitments, to set a new date until the contractor completes testing of the system and reports that all significant software defects have been fixed," said Mehle.

The new system is being developed under a contract between the Board and American Management Systems, Inc. (AMS), of Fairfax, Virginia. When it was awarded in May 1997, the contract anticipated a May 2000 implementation. Because of earlier delays in testing, implementation was rescheduled to October 1, based on assurances from AMS that that date could be achieved with relative certainty. At a meeting with senior Board officials last week, however, AMS advised that, in light of the current and anticipated software defects, an October 1 implementation date would involve significant risks for the successful operation of the new system.

The TSP is a retirement savings plan for Federal employees that is similar to the 401(k) plans offered by many private employers. It was created by the Federal Employees' Retirement System Act of 1986. As of May 31, 2000, TSP assets totaled approximately \$96 billion, and retirement savings accounts have been established for more than 2.4 million TSP participants.

The new record keeping system will support investment options and benefits in addition to those now available to TSP participants. Because these enhancements, including the Small Capitalization Stock Index Investment (S) Fund, the International Stock Index Investment (I) Fund, and daily valuation of TSP accounts, are dependent upon the new system, they will also be delayed.

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According to Mehle, "The new system is necessary for the TSP to provide additional benefits, but it is not required in order to carry out core TSP functions. In that regard, our current system has proven its processing accuracy, and, although it lacks the ability to support the new benefits, it can remain operational indefinitely."

All TSP participants will be sent a special mailing advising them of these developments. In addition, monthly updates on progress toward completion of the new system will be posted on the Board's Web site, www.tsp.gov.

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FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

June 16, 2000

Dear Thrift Savings Plan Participant:

When I wrote you in January concerning the need to delay the implementation of the new TSP record keeping system until October 1, 2000, to allow time for its thorough testing, I was relying upon assurances from the Board's contractor, American Management Systems, Inc. (AMS), that the new implementation date would allow adequate time for such testing and that implementation by that date could therefore be achieved with relative certainty.

However, in the period since January, AMS has not made sufficient progress in testing the system and in fixing numerous software defects disclosed by the testing to date. AMS has therefore advised the Board that an October 1 implementation date would involve significant risks for the successful operation of the new system.

While we could nevertheless attempt to implement the new system on October 1, we have concluded that it would not be prudent to do so. Although the new system will provide additional benefits, such as two new investment funds, daily processing, and the capability to accept balances from other plans (subject to the passage of H.R. 208, which I described to you in January), it is not required in order to process core TSP functions. In that regard, our current system can remain operational indefinitely. The Board therefore believes that it would not make sense to jeopardize the longstanding financial and functional integrity of the TSP by attempting implementation of the new system on October 1. We will not bring the new system on-line until AMS can advise us, and we can verify, that the risks to its functioning correctly have been eliminated.

Although AMS has suggested a spring 2001 implementation date, we believe at this juncture that it would be premature to set a new date until AMS completes testing of the system and reports to the Board that all significant software defects it has discovered have either been fixed or can be resolved in a predictable amount of time. When AMS does so — an objective we have insisted that it pursue with maximum management attention and corporate effort — we will provide you with detailed information about the new implementation date and the functionality that will be available with the new system. We do not want to experience, nor do we want you to experience, another missed commitment. In addition, we will be posting information about progress toward completion of the new system monthly on the Board's Web site, www.tsp.gov.

I am personally very disappointed by this development, and I regret any inconvenience it may cause you.

Sincerely,

Roger W. Mehle
Executive Director



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

Questions and Answers Regarding the Deferred Implementation
of the New TSP Record Keeping System

What is the new TSP record keeping system?

The TSP has been developing a new record keeping system to accommodate the addition of a number of new features, including two new investment funds, daily valuation of accounts, and enhanced withdrawal benefits. Information about the new system has been provided in the *TSP Highlights* that accompany the semiannual TSP participant statements. The leaflet *How the TSP is Changing*, which accompanied the November 1999 *TSP Highlights*, explained these enhancements and the changes to the TSP that will occur when the new record keeping system is implemented. The leaflet, which is being updated, will soon be available from the TSP Web site, www.tsp.gov, in Current Information and Forms & Publications.

Why has the new system implementation date been deferred again?

When it was awarded in May 1997, the contract with American Management Systems, Inc. (AMS) anticipated a three-year project schedule for design, development, testing, and implementation of the new system; this would have resulted in a May 2000 project completion date. At a meeting in early January 2000 with senior officials of the Federal Retirement Thrift Investment Board, AMS recommended an implementation deferral to accommodate the extensive system testing program, which had experienced delays. Based on assurances from AMS that October 1 could be achieved with relative certainty, and in light of pending legislation which would affect the TSP, the Board established the October 2000 date.

In a meeting June 8, AMS officials advised the Board that an October 1 implementation date would involve significant risks for the successful operation of the new system. This assessment was based on the status of the testing program and the time needed to fix the numerous software defects

(bugs) disclosed to date and those anticipated to be found as testing progresses. (Based on an analysis using industry standards as well as contractor experience, AMS predicted that between 8,000 and 10,000 bugs could be expected.) Because of the additional time needed for the testing and correction processes, those tasks that depend upon the validation of the software would also be delayed. As a result, the October 1 date is no longer feasible.

When will the new record keeping system be implemented?

Although AMS has suggested a spring 2001 implementation, the Board has not set a new date. Once AMS completes testing of the new system and reports that all significant software defects have been or can be fixed by a predictable date, the Board will then announce the implementation date. The Board anticipates that this will occur in spring/summer 2001.

Why can't you implement selected components of the new system (e.g., the new two funds, daily disbursements)?

The components of the new system are integrated. They cannot be implemented piecemeal. Furthermore, the current and new systems cannot be run in parallel because the former is valued monthly and the latter daily. Consequently, the new system must be implemented in its entirety.

How will you tell me more about the new schedule?

In mid-June, all TSP participants will be sent a letter advising them of the extension of the deferral. After that, the next mailing to all participants will be the November 2000 participant statement. The TSP will provide an update on the new record keeping system in the *TSP Highlights* that accompanies the statements. In the meantime, monthly updates on the progress toward system completion will be available on the TSP Web site.

How much will the deferral cost?

The deferral of the new system implementation per se does not cause more contractor costs. The Board only pays for those legitimate costs associated with the development, testing, and implementation of the new system, regardless of the time period over which they are incurred. Overall, it

is anticipated that, despite the deferral, the effect of the cost of the new system on the administrative expense ratio (which reflects allocation of expenses to participant accounts) will be minimal. Last year, the TSP's administrative expense ratio was .05% for the G Fund, .06% for the C Fund, and .07% for the F Fund (or 50¢, 60¢, or 70¢ per \$1,000 of account balance, respectively).

How are you making sure that the new record keeping system will be implemented in spring/summer 2001?

A number of steps have been taken to ensure that the implementation proceeds. The Board has received assurances from AMS top management that all resources necessary to complete the project will be made available. In addition, the Board will enter into an agreement with the Defense Contract Management Agency to provide independent third-party review and monitoring of the contractor's work. Even so, because of the two missed commitments (May 1 and October 1), the Board has decided to wait for AMS to show more progress before adopting a firm date.

When will I be able to invest in the new Small Capitalization Stock Index Investment (S) Fund or the International Stock Index Investment (I) Fund?

Because the two new funds are features of the new record keeping system, they will not be available until the new system is implemented.

What is the S Fund?

The S Fund, the Small Capitalization Stock Index Investment Fund, will be the TSP's medium and small company stock fund. The objective of the S Fund will be to track the returns of the Wilshire 4500 stock index fund. The Wilshire 4500 index represents approximately 23% of the market value of the U.S. stock markets, and includes those stocks that are not found in the S&P 500 index (which is the index the C Fund tracks). More information about the S Fund, including the compound annual rates of return for the Wilshire 4500 index for the period 1989 through 1998, can be found in the May 2000 *TSP Highlights*.

What is the I Fund?

The I Fund, the International Stock Index Investment Fund, will be the TSP's international fund. The objective of the I Fund will be to track the returns of the EAFE (Europe, Australasia, and Far East) stock index, an index that tracks the overall performance of the major companies and industries in the European, Australian, and Asian stock markets. More information about the I Fund, including the compound annual rates of return for the EAFE index for the period 1989 through 1998, can be found in the May 2000 *TSP Highlights*.

When will I be able to make interfund transfers that take place daily instead of monthly?

Daily processing of interfund transfer requests is dependent upon the new record keeping system. Therefore, this feature will not be available until the new record keeping system is implemented.

What is daily valuation?

Daily valuation means that at the close of each business day TSP accounts will be valued based on the share prices of the funds in which the participant has invested. Currently, TSP accounts are valued once a month, at the end of the month. Daily valuation will permit the TSP to process transactions daily, including interfund transfers and the disbursement of loans and withdrawals.

What is the status of H.R. 208?

H.R. 208 is pending legislation that would permit the TSP to accept transfers from certain other retirement savings plans (see below). H.R. 208 would also allow new Federal employees to contribute their own money (through payroll contributions) to the TSP without the current six- to twelve-month wait. (It does not affect the waiting period for agency contributions, however.) Although there is never certainty that any bill will become law, H.R. 208 has already been passed by the House of Representatives and has bipartisan support.

In January, when the Board established the October 1, 2000 deferred implementation date, it was desirable to make the rollout of the new system coincide with the benefits of H.R. 208, assuming its enactment. However, given that the legislation still has not been enacted and because of the deferral of the new system, its implementation on October 1 is not possible. An implementation date will be decided if and when the legislation is enacted.

Does H.R. 208 mean that I can roll over my regular IRA into the TSP? How about money from my mutual fund or savings account?

No. H.R. 208 would allow direct rollovers from certain retirement plans established by your previous employer. These plans are limited to pension, profit-sharing, and stock bonus plans, and include 401(k) plans. If H.R. 208 is enacted, the TSP will provide information describing which funds will be accepted by the TSP and the process for rolling them over.

What waiting period is affected by H.R. 208?

Currently, newly hired participants must wait until the second open season after they are hired (a six- to twelve-month period) before they can contribute to the TSP. H.R. 208 would permit employees to begin contributing their own money (through payroll contributions) to the TSP as soon as they are hired as long as they are otherwise eligible to contribute to the Plan (i.e., they are covered by the Federal Employees' Retirement System, the Civil Service Retirement System, or another equivalent retirement system). However, the existing waiting periods would still apply to agency contributions (both the Agency Automatic (1%) and the Agency Matching Contributions).

Will the deferral of the new system implementation mean that loans and withdrawals will continue to be disbursed once a month?

Yes. Until the new system is implemented, loans and withdrawals, as well as all other transactions, will be processed using the existing record keeping system and under current rules.

Will the deferral of the new system implementation apply to the new withdrawal options?

Yes. The new withdrawal options and the other changes to the TSP withdrawal program, which were described in the leaflet How the TSP is Changing, cannot be implemented until the new record keeping system is implemented.

In my May 2000 participant mailing, you told me that I would receive a participant statement in September 2000 covering the period May 2000 through August 2000. Will this still happen?

No. The next statement mailing will be in November 2000, as usual. There will be no change in our semiannual participant statement mailing schedule until a new system implementation date is set.

In my May 2000 participant mailing (or, regarding withdrawals, with a notice you sent me when I separated from Federal service), you told me that if I apply for a loan or withdrawal after August 15, I would have to wait until October 2000. Is this still true?

No. Loan and withdrawal requests received after August 15 will be processed under our current rules. There will be no change in our monthly disbursement schedule until a new system implementation date is set.

When will I be able to receive any loan or withdrawal payment by EFT/Direct Deposit?

Additional EFT/Direct Deposit options will become available when the new system is implemented. EFT/Direct Deposit is currently available for monthly payments only.

When will I be able to request a loan or withdrawal from the Web site or ThriftLine?

Because this is a new record keeping system feature, you will not be able to use the Web site or the ThriftLine to apply for a loan or withdrawal until the new system is implemented.

Will the Web site and ThriftLine be available during the month of August?

Yes. Web site and ThriftLine service will continue without interruption until we begin the transition to the new record keeping system.

When will I be able to make direct payments on my loan by submitting guaranteed funds to the TSP?

Because this is a feature of the new record keeping system, you will have to wait until the new system is implemented before making loan payments by guaranteed funds directly to the TSP (as opposed to payroll deductions). Currently, you may only make prepayments in full.

When will the next TSP open season be held?

The next open season will be held from November 15, 2000 to January 31, 2001. (The current open season runs through July 31, 2000.)

Does the deferral of the new record keeping system mean that I will still tell my agency how to allocate my contributions among the G, C, and F Funds?

Yes. Until the new system is implemented, to change the way your contributions are allocated among the three investment funds, you must submit Form TSP-1 to your agency during a TSP open season. Once the new system is operational, you will make these contribution allocation elections directly with the TSP at any time.