



Thrift Savings Plan HIGHLIGHTS

October 2009

Time for action?

October 18 to 24 is “National Save for Retirement Week” — the perfect time to reevaluate your contribution amount and check your TSP investments to make sure they’re still on track with your long-term financial goals. If your circumstances have changed since you last made a contribution election or decided how to distribute your money among the TSP funds, this might be the time to make some changes.

Are you still saving an amount that’s suitable for your current budget and your retirement goals?

Has your time horizon (when you will start withdrawing your money) changed, affecting your tolerance for risk?

Have you turned — or will you turn — age 50 during 2009, making you eligible to add catch-up contributions to your regular contributions?

If a FERS employee, are you taking full advantage of the matching money available to you?

Now’s a good time to think about these issues and about whether to take action. You’ll thank yourself when you’re ready to retire.



New Law Authorizes Changes to the TSP

Back in June, the President signed a new law — the Thrift Savings Plan Enhancement Act of 2009 (P.L. 111-31, Division B, Title I) — which brings new benefits to many TSP participants and their heirs. One of the changes required by this law has already been implemented. The others will be put in place over the next few years. Read the descriptions below to learn about these new features in order of their planned implementation.

- **Immediate agency contributions.** As soon as the law was signed, the waiting period for Federal Employees’ Retirement System (FERS) employees to receive agency contributions was eliminated. If you are a FERS employee, you should now be receiving Agency Automatic (1%) Contributions — and, if you are also contributing your own money, Agency Matching Contributions as well — regardless of when you were hired or rehired.
- **Accounts for spouse beneficiaries.** Beginning in early 2010, if you die and your spouse is the beneficiary of your TSP account, your spouse will have the option of leaving the death benefit payment in a TSP account in his or her own name. Currently, a spouse beneficiary may only transfer a TSP death benefit payment to an Individual Retirement Account (IRA) or eligible employer plan or receive a lump sum payment in cash.
- **Automatic enrollment.** Starting next spring, new Federal civilian employees will automatically make payroll contributions of 3% to the TSP. Their agencies will send their contributions to the TSP along with an additional 4% of their pay (Agency Automatic (1%) and 3% Matching Contributions) each pay period, unless the employee opts out of contributing or elects to contribute more or less. This will give new employees a chance to start saving early, receive agency contributions (if FERS), and achieve potentially greater retirement savings.
- **Roth feature.** Down the pike, the TSP will begin offering a Roth feature. (This will not be a Roth IRA, and you will not be able to transfer a Roth IRA into the Roth TSP). It will be the equivalent of a private sector Roth 401(k), which is subject to different tax rules from a Roth IRA and open to people of all income levels. Your contributions to the Roth TSP will be made on an after-tax basis, and you will not have to pay Federal income tax on any money you withdraw from it. (However, you will still have to pay an early withdrawal penalty if you don’t meet the age requirement for withdrawing.)

The TSP estimates it will take about 2 years to implement this benefit. It will require substantial modifications to agency and uniformed service human resources and payroll systems as well as to the TSP’s own record keeping and accounting systems. The TSP will provide participants with educational materials as the implementation date approaches.

The legislation also allows the TSP to offer a **mutual fund window** in the future. A mutual fund window would allow participants to invest some of their TSP savings in mutual funds outside the TSP. Expenses related to the mutual fund window would be borne solely by those participants who use it. The TSP will further consider this option in cooperation with the unions and associations on the Employee Thrift Advisory Council.

For more details about these new benefits as they evolve, watch this newsletter and the TSP website. 

TSP website:
www.tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
Outside the U.S. and Canada: 404-233-4400

TDD: 1-TSP-THRIFT5
(1-877-847-4385)

End-of-Year Reminders

- Be sure the TSP has your correct address so that you will receive mailings of the annual letter from the TSP's Executive Director, your annual participant statement (if you did not opt out of receiving a paper copy), important TSP notices, and IRS Form 1099-R (if you received any distributions from the TSP in 2009). If you are an **active** Federal employee or member of the uniformed services, report any address change **to your agency or service**. If you are **separated from service**, report any address change **directly to the TSP**.
- **December 15** is the deadline for the TSP to receive requests for annual changes in monthly payments. This deadline applies only to participants who are in monthly payment status. Eligible participants will receive a notification in the near future.
- On the following Federal holidays, the Thrift Savings Plan will be closed. Therefore, transactions that would have been processed on each of these days will be processed the night of the next business day at the next day's closing share prices.
 - October 12, 2009** — Columbus Day
 - November 11, 2009** — Veterans Day
 - November 26, 2009** — Thanksgiving Day
 - December 25, 2009** — Christmas Day
 - January 1, 2010** — New Year's Day
 - January 18, 2010** — Martin Luther King, Jr. Day



Rates of Return

	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2009										
Jan	-7.67%	-6.69%	-5.58%	-2.61%	-1.74%	0.19%	-0.86%	-8.41%	-8.19%	-11.93%
Feb	-8.52	-7.47	-6.22	-2.95	-1.98	0.21	-0.39	-10.64	-10.22	-10.23
Mar	7.08	6.30	5.35	2.82	2.06	0.24	1.38	8.81	8.64	7.20
Apr	9.38	8.20	6.79	3.20	2.37	0.21	0.49	9.58	15.00	12.13
May	6.19	5.45	4.66	2.28	1.70	0.25	0.78	5.60	3.97	13.41
June	0.09	0.12	0.14	0.24	0.26	0.27	0.54	0.24	0.73	-1.08
July	7.01	6.16	5.16	2.44	1.94	0.28	1.59	7.58	8.66	9.74
Aug	3.41	3.02	2.57	1.30	1.07	0.28	1.03	3.62	3.85	4.87
Annual 1999 – 2008										
1999	-	-	-	-	-	5.99%	-0.85%	20.95%	-	-
2000	-	-	-	-	-	6.42	11.67	-9.14	-	-
2001	-	-	-	-	-	5.39	8.61	-11.94	-	-
2002	-	-	-	-	-	5.00	10.27	-22.05	-18.14	-15.98
2003	-	-	-	-	-	4.11	4.11	28.54	42.92	37.94
2004	-	-	-	-	-	4.30	4.30	10.82	18.03	20.00
2005	-	-	-	-	-	4.49	2.40	4.96	10.45	13.63
2006	16.53	15.00	13.72	11.09	7.59	4.93	4.40	15.79	15.30	26.32
2007	7.36	7.14	6.87	6.40	5.56	4.87	7.09	5.54	5.49	11.43
2008	-31.53	-27.50	-22.77	-10.53	-5.09	3.75	5.45	-36.99	-38.32	-42.43

The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and accrued investment management fees. Additional information about the TSP funds, the related indexes, and their respective 1-, 3-, 5-, and 10-year returns can be found in the TSP Fund Information sheets on the TSP website.

The L Funds, which are invested in the individual TSP funds (G, F, C, S, and I), were implemented on August 1, 2005; therefore, the first annual returns are for 2006. The S and I Funds were implemented in May 2001; therefore, there are no annual returns for these funds for years before 2002.

