Thrift Savings Plan

HIGHLIGHTS

July 2011

What's that?

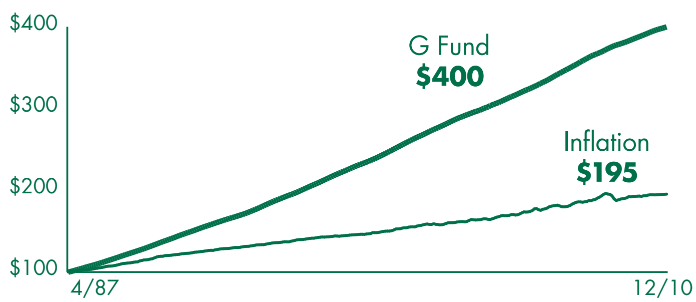
It's a quick response (QR code) that you may be seeing more of in future TSP products. If you have a smartphone (one with Web-based capability), you can download more TSP information than what you'll see in an article or on a poster. You may need to download one of the free QR code readers. To find the one best suited for you and your smartphone, search the Web for "QR code readers."

If you cannot scan the QR code above, check out the L Fund rates shown on page 2, and visit the TSP website. You can link to the L Funds right from the home page.

The G Fund — A User's Guide

The TSP's Government Securities Investment Fund, the G Fund, is the "default" fund. The G Fund's investment objective is to produce real earnings after inflation, while avoiding credit risk and market price fluctuations. The G Fund is safe because it invests solely in U.S. Treasury securities, which have never defaulted. There is the risk, however, that your G Fund investment will not grow enough to offset inflation. When Federal employees sign up to contribute to the TSP, their contributions are automatically invested in the G Fund until they choose their own investment strategies. Newly hired or rehired Federal civilian employees are now automatically enrolled in the TSP to contribute 3% of their pay and, if FERS, receive a 3% agency match. These contributions are all automatically invested in the G Fund, as are the automatic (1%) contributions that FERS employees receive each pay period from their agencies (whether they contribute or not). Participants who wish to invest their contributions in other TSP funds must go to the TSP website or call the ThriftLine and change how their new contributions are invested by making a "contribution allocation" decision. Alternatively, if they want to move money already in the TSP, they can perform interfund transfers.

Has the G Fund kept pace with inflation? The chart below shows the growth of a $100 G Fund investment compared to inflation over the last 23 years:



To date, the G Fund has certainly outpaced inflation. For a safe, risk-free investment, the G Fund's growth has been good, especially today when money market yields are near zero.

It's safe, but will it be enough? About 81% of TSP participants have some part of their accounts invested in the G Fund. Some have never invested in any other fund, either because they have never gotten around to thinking about it, or they are just risk averse. A few TSP participants use the G Fund as an escape hatch to back out of their stock fund investments when the markets fluctuate downward and can miss the opportunity to recover their losses when the markets bounce back. (See "A Tale of Two Investors" in the April 2010 TSP *Highlights*.) Though you will not lose money on your G Fund investments, there are other things to consider when planning your retirement savings investments: What are your retirement goals, and how much will you need to save to make them a reality? Can G Fund yields get you there?

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Try doing some calculations. Visit the How Much Should I Save? calculator on the TSP website and estimate the savings required for your retirement goals. Then visit the How Much Will My Savings Grow? calculator to project the growth of your current account balance (and future savings). You will be asked to choose an assumed annual rate of return. Adjust the rates until you see the amount you'd have to earn in order to meet your savings goals. Does this rate of return seem reasonable based on how much you are currently saving and how you have your money invested? The simple truth is, if your savings fall short of your estimated need, you'll either have to save more, or earn more on what you've saved. The most certain way to increase your retirement account is to save more, but you can increase your chances of growing your savings by including funds in your portfolio that provide more growth.

Consider a portfolio of TSP funds. If you cannot save more (and you don't want to work longer), you can investigate different investment strategies that might give you the potential to earn more. A mix of TSP funds can help reduce the risk of the riskiest funds while giving you the opportunity to earn more than the least risky fund. If you glance at the chart on the bottom of this page, you can see the rates of return that the TSP funds have earned over the last 10 years (and for the first 5 months of 2011).

We know it's hard to decide how to divide up your investments. That's why the TSP created the Lifecycle (L) Funds. They are professional investment mixes of all five TSP funds geared toward the year of your retirement. (See the green sidebar on page 1.) Sure, the G Fund is safe, but if you have many years until you'll need the money in your TSP account, don't you owe it to yourself to investigate whether you could be earning more on your TSP savings?

Keep the G Fund in its place. Although the G Fund may be the "automatic" fund, it may not be where you want to keep your account throughout your career. Even though the stock funds have had years when returns were negative, they have performed better than the G Fund over time.

The G Fund took center stage in news stories in May when the Treasury Department announced that it would not issue Treasury securities to the TSP, at least for some part of the money in the G Fund. This is because the Treasury secretary cannot issue debt securities that would cause U.S. government debt to exceed the statutory debt limit. Nevertheless, G Fund investors are guaranteed interest payments, and their accounts remain whole throughout the "debt issuance suspension period." (For more information, visit the TSP website and link from the home page, "Federal debt limit and the TSP.")

Rates of Return*

	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2011										
Jan	–	1.75%	1.57%	1.35%	0.63%	0.24%	0.13%	2.37%	1.23%	2.41%
Feb	3.28	2.95	2.60	2.15	0.90	0.22	0.26	3.42	4.52	3.33
Mar	– 0.15	– 0.08	– 0.05	– 0.03	0.17	0.26	0.06	0.04	2.06	– 2.23
Apr	3.57	3.20	2.83	2.37	1.01	0.25	1.28	2.96	2.94	6.03
May	– 1.39	– 1.15	– 0.97	– 0.74	– 0.05	0.25	1.31	– 1.13	– 1.27	– 2.90
Annual 2001 – 2010										
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	7.59	4.93	4.40	15.79	15.30	26.32
2007	–	7.36	7.14	6.87	5.56	4.87	7.09	5.54	5.49	11.43
2008	–	– 31.53	– 27.50	– 22.77	– 5.09	3.75	5.45	– 36.99	– 38.32	– 42.43
2009	–	25.19	22.48	19.14	8.57	2.97	5.99	26.68	34.85	30.04
2010	–	13.89	12.48	10.59	5.74	2.81	6.71	15.06	29.06	7.94

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 Lifecycle 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.

* The L 2010 Fund was retired on December 31, 2010.

** The Government Securities Investment (G) Fund; the Fixed Income Index Investment (F) Fund; the Common Stock Index Investment (C) Fund; the Small Capitalization Stock Index (S) Fund; the International Stock Index Investment (I) Fund

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