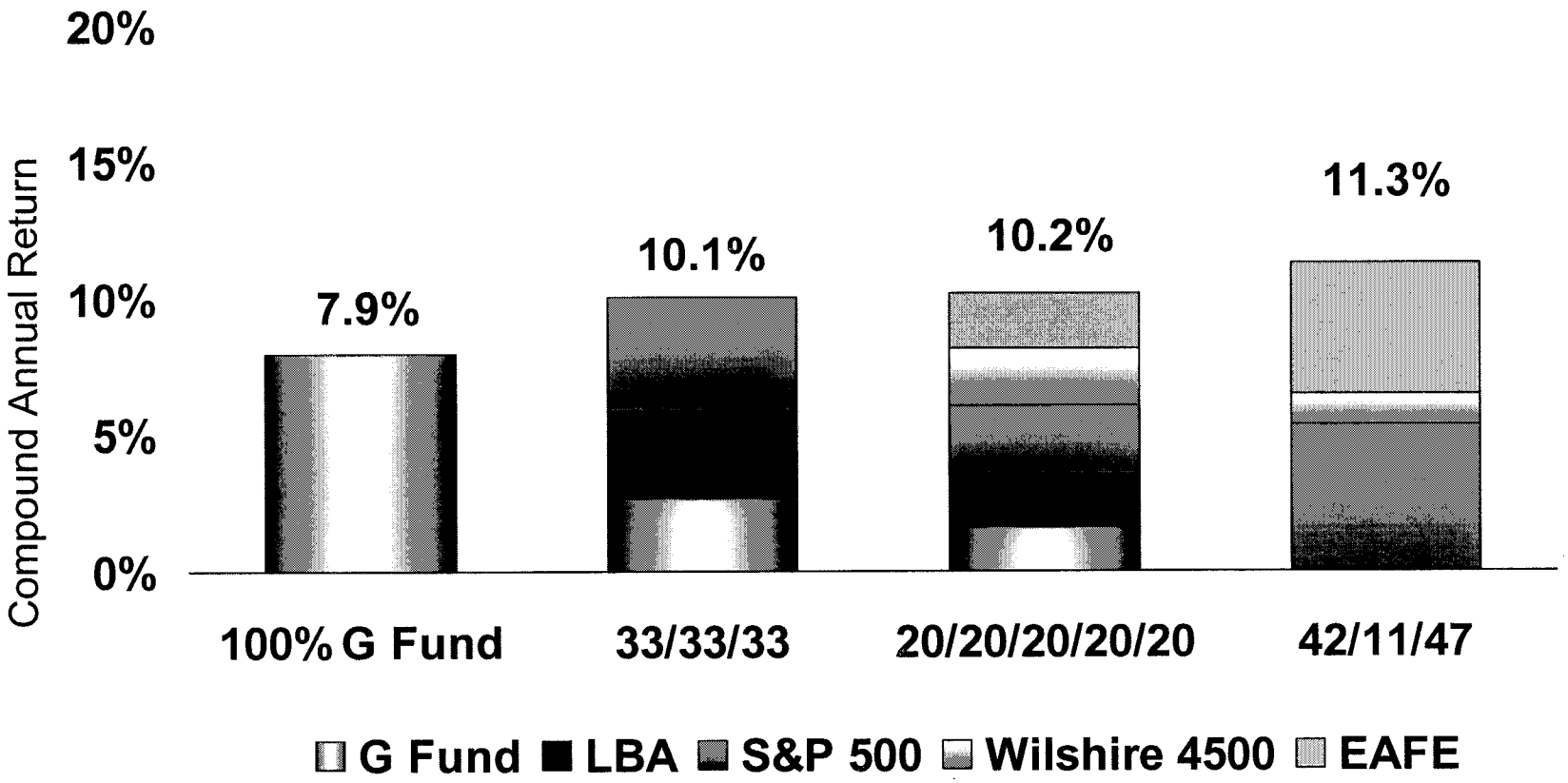
Performance of G Fund, LBA, S&P 500, Wilshire 4500, and EAFE Portfolio Mixes Over 20 Years from 1983 - 2002



Daily Valuation

- The new TSP system is daily valued and share based
- Share prices for each fund are updated each business day
- Accounts will be valued each business day using the daily share prices for the applicable investment fund(s)
  - Determination of daily share price still based on same principals of determining current system returns for TSP funds
- Transactions (e.g. contributions, loans, withdrawals, and interfund transfers) will be processed daily and will involve the purchase and/or sale of shares of the funds

Daily Valuation

- Cutoff times for contribution allocation and interfund transfer requests will be 11:00 am central time
- Contribution allocation and interfund transfer requests made by the cutoff will ordinarily be effective as of close of business that day
- Requests made after the cutoff time are ordinarily effective at the end of the following business day
- For interfund transfers, the number of shares in each fund must be valued before the transaction takes effect

Conversion from Dollars to Shares

- G, F, C, S, and I Fund balances were converted on May 31, 2003, to shares at a price of $10.00 per share
- To convert dollars to shares, the TSP divided the dollar balance (as of May 31) of the applicable investment fund by the $10.00 share price for the fund
- Number of shares are purchased, maintained, and reported to the participant to 4 decimal places
- Share prices are reported to the participant to 2 decimal places

Example of Converting Dollars to Shares:

G Fund

G Fund Dollars/G Fund Share Price =
# of G Fund Shares

$ Balance	Share Price
$1,000	$10.00

$1,000/$10 = 100.0000 G Fund Shares

F Fund

F Fund Dollars/F Fund Share Price =
# of F Fund Shares

$ Balance	Share Price
$500	$10.00

$500/$10 = 50.0000 F Fund Shares

C Fund

C Fund Dollars/C Fund Share Price =
# of C Fund Shares

$ Balance	Share Price
$240,034.12	$10.00

$240,034.12 /$10 = 24,003.4120 C Fund Shares

S Fund

S Fund Dollars/S Fund Share Price =
# of S Fund Shares

$ Balance	Share Price
$2,532,089.73	$10.00

$2,532,089.73 /$10 = 253,208.9730 S Fund Shares

I Fund

I Fund Dollars/I Fund Share Price =
# of I Fund Shares

$ Balance	Share Price
$74,000	$10.00

$74,000/$10 = 7400.0000 I Fund Shares

Buying and Selling TSP Shares

- Contributions, loan payments, and transfers/ rollovers into the TSP purchase shares in each fund
- Withdrawals and loans sell shares from the participant's account
- Interfund transfers sell shares of the fund(s) from which the money is removed and purchase shares of the fund(s) into which the money is moving

Buying and Selling TSP Shares

- When a participant deposits contributions, loan payments, or a transfer/rollover, the TSP will invest the amount according to the current contribution allocation on file

- The TSP will determine the dollar amount, by source of contribution, to invest in each fund, then purchase shares of the fund based on the share price determined as of the close of each business day

- Information reflecting the completed transaction will be available to the participant to view on the TSP web site the next business day

Determining Share Price

- After stock and bond markets close each business day, the daily net earnings for each investment fund (net of administrative expenses, transaction costs, and investment management fees) are divided by the total number of shares in that fund as of the close of the prior business day to determine the incremental change in the share price for that day

- The incremental amount, carried to ten decimal places, is added to the prior day's share price

Determining Share Price

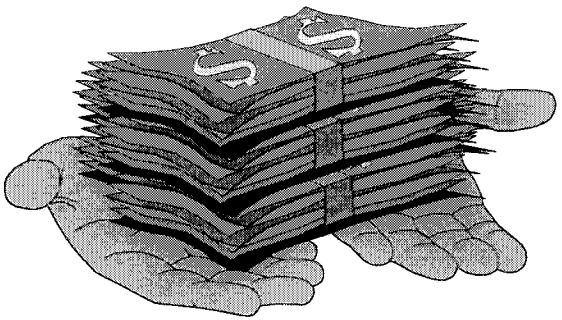
- The earnings attributable to the last eight decimal places are carried over to the next business day's share price calculation (i.e., they are included in the next day's net earnings)

- The new share price is then truncated to two decimal places and becomes the share price for the current business day, which is used for posting that day's transactions

TSP Participant Statements

- Participants will be able to print a copy of their statements from the Account Access section of the TSP web site at the end of each quarter (January, April, July, and October)
- The statement will reflect transactions, number of shares the participant has in each fund, and dollar value of the shares in each fund
- Participants who prefer to have statements mailed may request this from the Account Access section of the TSP web site or by calling the Thriftline

Types of Loans



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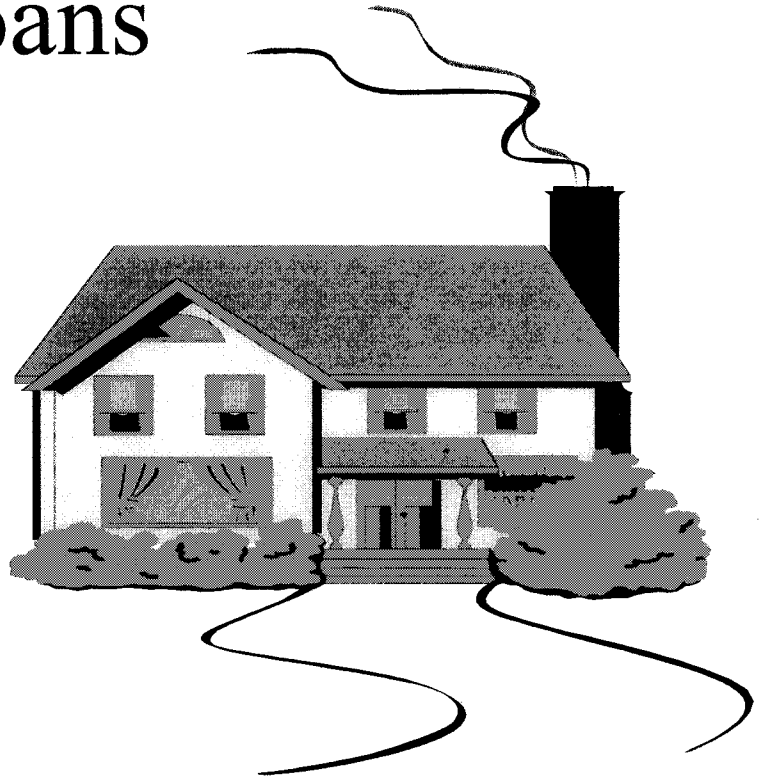


General Purpose
No documentation required

Residential
For purchase or construction of a primary residence

Terms

- Minimum Term: 1 year
- Maximum Term
  - General purpose = 5 years (new!)
  - Residential loan = 15 years
- General purpose and residential loans must be repaid by the (5th or 15th) anniversary from disbursement

Cost of a Loan

- $50.00 fee
  - Starting mid-2004
  - Fee deducted from amount of loan disbursed to participant
- Interest Rate
  - Based on G fund rate at time application is processed
  - Fixed for life of the loan
  - Not tax deductible
- Both the principal and interest are repaid to your account

Applying for a Loan

- May have a maximum of two loans outstanding at one time
  - Starting mid-2004, participants may have one residential and one general purpose loan outstanding
  - Participants will be prohibited from having two general purpose loans outstanding

- When a loan is paid in full, including through prepayment, there will be a 60-day waiting period before another loan application is accepted by the TSP
  - Change begins in mid-2004

Applying for a Loan

- Application can still be submitted using Form TSP-20
  - Note: If forms are submitted the processing time will not change in the new system, just the disbursing time once the loan process is completed
- Application can also be initiated by using the Account Access section of the TSP Web site
  - TSP PIN is required to use fillable loan application
  - A fillable version of the Form TSP-20 will be displayed for the participant to complete and submit online
  - Once the application is submitted the loan agreement will generate and can be displayed to be completed, printed and returned to the TSP record keeper for processing. Some participants will be able to submit the loan agreement on the web and complete the loan process

Applying for a Loan

- Unmarried participants requesting a general purpose loan can complete and submit forms on the web site. The general purpose loan is processed once the loan agreement is confirmed by the TSP system

- Married FERS participants must print their loan agreement form from the web site, obtain spouse's consent, and return the agreement to the TSP record keeper for processing and completion

- Residential loans also require printing the loan agreement and Form TSP-21-Doc, which is completed and returned with residential documentation to the TSP record keeper

- Spousal notification will be sent to the spouse of married CSRS participants applying for a TSP loan within two days of the submission of the loan application. The loan will not disburse earlier than 2 business days from submission of the loan application

Disbursement of a TSP Loan

- Payment made by check
  - Based on the address of record on file
  - Address printed on the loan agreement may differ from address the participant provided on the loan application
- Payment via EFT
  - Can request EFT by providing routing information on loan agreement

Repaying the Loan

- Payroll deduction based on the schedule of loan payments
- Participants may send a check to make loan payments in addition to payroll deduction
  - Personal checks, money orders or a cashier's check are accepted
  - All forms of payment submitted by the participant are subject to a five-seven day hold before the TSP posts the payment in the account
- Daily interest is calculated as each payment is posted and is based on the number of days since the last loan payment was made multiplied by the outstanding loan balance
- Multiple voluntary reamortizations
  - Participant may reamortize on TSP Web site
  - Participant may contact TSP record keeper and request via telephone
  - The new loan payment amount is provided to the payroll office on its loan report and the participant is mailed a reamortization notice

TSP Taxable Distributions

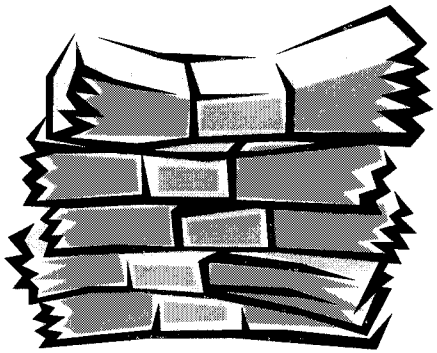
- Default
  - All scheduled loan payments must be made by the participant
  - The loan must be repaid no later than the 5/15 anniversary date from disbursement
  - If a payment is missed or a partial payment received, the participant must make up the payment (via check)
  - At the end of each quarter, if a participant is missing loan payment amounts, the TSP must send a default notice requiring the participant make up the default amount by the end of the following quarter
  - If the entire default amount is not posted to the account by the end of the applicable quarter, a taxable distribution is declared on the outstanding loan balance
    - Participants will be prohibited from obtaining another TSP loan for 12 months
  - The only exception to making up missing payments is if the participant is in a nonpay status; the IRS requires the TSP suspend loan payments during this period
    - Participants in nonpay status must request their agency/supervisor complete Form TSP-41 and send it to the TSP record keeper
    - Periods of nonpay are included in the maximum number of years a loan can be repaid, unless the nonpay is associated with performing military service

TSP Taxable Distributions

- Leaving federal service
  - Separated participant will still receive a notice with 90 days to pay the outstanding loan balance
  - A full or partial payment may be submitted by check during the 90 day period
  - If a partial payment is made the taxable distribution will be declared on the remaining outstanding loan balance
  - Taxable distributions are effective after 90 days from receipt of separation information or generation of the notice
  - Participants who will not repay the loan balance can request an acceleration of the taxable distribution date by signing the intent block on the notice
- Death in service
  - Effective as of date of death or last loan payment

In-Service Withdrawals

- Age-based withdrawals
  (age 59½ or older)
- Financial hardship withdrawals



In-Service Withdrawals

- Age-based
  - Form TSP-75 will include application and transfer information
  - Application can be submitted on the TSP Web site
  - Can request payment made via EFT
  - If participant receives a Age-based withdrawal they cannot request a Partial Withdrawal after they are separated
  - Notarized spousal consent required for married FERS participants
  - Spousal two day notification is required for CSRS participants

In-Service Withdrawals

- Financial Hardship
  - Simplified Form TSP-76 one-page process!
  - Application can be submitted on the TSP Web site unless notarized spouse signature is required
  - No documentation required
  - Request must be for at least $1,000
    - TSP will disburse requested amount or amount of employee contributions and earnings (whichever is less), but not less than $1,000
  - Can request payment made via EFT
  - TSP must withhold 10% for Federal taxes unless participant requests more or less using Form W-4P

In-Service Withdrawals

- Financial hardship rules/ requirements
  - Participant certifies that he/she meets the conditions required to request a hardship withdrawal
    - Negative monthly cash flow, medical expenses, personal casualty loss, legal expenses for attorney fees and court costs associated with separation or divorce
  - Participants in Chapter 13 bankruptcy can request a hardship withdrawal for medical, personal casualty loss, or legal divorce expenses; cannot request a withdrawal due to negative cash flow
  - Agency must terminate participant contributions for six months
    - Agency matching contributions for FERS participant will also stop
    - FERS participants will continue to receive agency automatic (1%) contributions
  - Must wait six months after receiving a hardship withdrawal before requesting another
  - Early withdrawal penalty of 10% applies if participant is not age 59½ in the year the financial hardship in-service withdrawal is disbursed

Post-Service Withdrawal Options

- Automatic cashout
- Leaving money in the TSP
- Partial Withdrawal of at least $1,000
- Full Withdrawal
  - Single payment
  - Monthly payments
  - Life annuity
- Mixed Withdrawal

Automatic Cashout

- Separated participants with a vested account balance of less than $200 will receive an automatic cashout
  - Account balances of $4.99 or less will be forfeited to the TSP
  - Participant may request restoration and payment of the forfeited balance
- The account will be paid automatically after the participant is separated for more than 31 days
  - No notification prior to disbursement
- Participant may not elect to leave the balance in the TSP
- Amount not subject to the mandatory 20% Federal tax-withholding

Leaving Money in the TSP

- Option available to participants with balances of $200 or more
- Participant may update address by using the TSP Account Access section of the TSP Web site, by telephoning the TSP record keeper, or by submitting Form TSP-9
- Contributions may not continue, but participant may transfer in amounts from traditional IRAs or eligible employer retirement plans
- Participant may continue to make interfund transfer and contribution allocation requests
- Mandatory full withdrawal request must be processed no later than April 1st after year age 70½ and separated

Partial Withdrawal

- One-time request for the "life" of the account
  - Participant must not have received an age-based withdrawal
  - Participant must not have received a partial withdrawal from a prior period of employment
- Minimum amount that can be withdrawn is $1,000
  - If the account balance is less then $1,000, the participant must submit a request for a full withdrawal
- Single payment only
  - Payment subject to mandatory 20% tax withholding
- Participant may request a transfer of all or a portion of the partial payment to an IRA or other eligible plan

Partial Withdrawal

- Participant may request payment by EFT
  - Mandatory tax withholding rules apply
- Application and processing of Form TSP-77 can be made in the Account Access section of the TSP Web site
- Two-day spousal notification rule applies for married CSRS participants before partial withdrawal is completed
- Married FERS participants must obtain notarized spouse's signature and return Form TSP-77 to the TSP record keeper for processing

Full Withdrawal

- Participant may select one or all withdrawal options to apply to his/her entire account
- Participant may complete Form TSP-70 on the TSP Web site
  - Some participants may submit the completed form on the web site
  - Most participants will need to print and return the completed form to the TSP record keeper for processing
- Participant indicates on the Form TSP-70 what percentage of the balance will apply to the option(s) selected

Full Withdrawal

- All annuity options and features previously completed on Forms TSP-11A, B, and C are included as part of the withdrawal application
- If a participant elects a TSP annuity, the percentage of the balance applied to the option must equal at least $3,500
- Two-day spousal notification rule applies for married CSRS participants before full withdrawal request is completed
- Married FERS participants must obtain notarized spouse's signature (waiving right to a TSP annuity) and return Form TSP-70 to the TSP record keeper for processing

Single Payment Option

- Participant may request single payment of entire account balance
- When using the mixed withdrawal option participant may request any percentage of the account balance to be made in a single payment
- Single payment is subject to 20% tax withholding
- Participant may request a transfer of all or any percentage of the single payment to an IRA or other eligible plan
  - Amount transferred is not subject to mandatory 20% tax withholding
- Participant may request payment by EFT
  - Mandatory tax withholding rules apply

Monthly Payments

- Specify a dollar amount
- Request TSP compute monthly payment (based on IRS uniform table)
- The TSP Web site has a monthly payment calculator to estimate monthly payment amounts

Monthly Payments

- Participant may complete Form TSP-73 to request a change in monthly payments from:
  - Compute my payment to dollar amount
  - Current dollar amount to new dollar amount
  - TSP will have an election period each year to request a change
  - Change in monthly payments are effective in January of the following year
  - TSP-73 may be used to change % transferred, or financial institution information at any time
- Tax withholding rules will be determined when the monthly payment option is processed or when a change in monthly payments occurs

Summary of Thrift Savings Plan Annuity Options

Single Life

There are 6 Single Life Options

1. Level Payments
- a) with no additional features
- b) with cash refund feature
- c) with 10-year certain feature

2. Increasing Payments
- a) with no additional features
- b) with cash refund feature
- c) with 10-year certain feature

Joint Life with Spouse

There are 8 Joint Life with Spouse Options

3. Level Payments
- a) 100% survivor annuity
- b) 50% survivor annuity
- c) 100% survivor annuity with cash refund feature
- d) 50% survivor annuity with cash refund feature

4. Increasing Payments
- a) 100% survivor annuity
- b) 50% survivor annuity
- c) 100% survivor annuity with cash refund feature
- d) 50% survivor annuity with cash refund feature

Joint Life with Other Survivor
(having an insurable interest)

There are 4 Joint Life with Other Survivor Options

5. Level Payments
- a) 100% survivor annuity*
- b) 50% survivor annuity
- c) 100% survivor annuity with cash refund feature*
- d) 50% survivor annuity with cash refund feature

*Not available if joint annuitant is more than ten years younger than participant.

IRS Early Withdrawal Penalty

If you separate/retire before the year in which you reach age 55 and you withdraw your TSP account in a single payment or series of monthly payments, you will be subject to the 10% early withdrawal penalty on all amounts received before you become age 59½.

NOTE: If you separate on a OPM-approved disability retirement, or elect to receive monthly payments based on life expectancy or a TSP life annuity, this early withdrawal penalty does not apply. Death benefit payouts are also excluded.

Spouses' Rights

Classification	Requirement*	Exceptions**
FERS	Notarized spouse signature required. Spouse is entitled to a joint life annuity with 50% survivor benefits, level payments, and no cash refund feature, unless he/she waives this right	Whereabouts unknown or exceptional circumstances TSP-16 required
CSRS	Spouse is entitled to notification by the TSP of the participant's withdrawal election	Whereabouts unknown TSP-16 required

* If account balance is less than $3,500 spouse's signature/notice is not required
** Waiver of spouse's signature/notification valid for 90 days from approval

TSP Death Benefits

- To Whom
  - Based on Form TSP-3,Designation of Beneficiary
    - Maintained at TSP record keeper

  If there is no TSP-3 on file at the TSP record keeper, then:

  - Statutory Order of Precedence
    - Spouse, natural and adopted children, parents, estate, next of kin

- How
  - Form TSP-17, Information Regarding Deceased Participant
  - Paid as a single payment
    - Spouse subject to mandatory 20% Federal tax withholding
    - Other beneficiaries subject to 10% Federal tax withholding (beneficiary can request waiver of tax withholding)
  - Spouse may transfer entitled amount to
    - IRA
    - Eligible employer plan
    - His/her TSP account
    - No taxes withheld if transferred