DID YOU KNOW

Thrift Savings Plan (TSP) improvements was taken from Mr. Stephen Barr's column in the Washington Post.

During the past two years, the TSP has upgraded its computer operations, permitting you to manage your account on a daily rather than monthly basis. TSP also has taken steps to improve services, setting up a toll-free telephone line and awarding contracts for call centers in Cumberland, Md., and Clintwood, Va.

Other changes are underway. The last TSP "open season" will close Thursday. The twice-yearly open seasons have been the traditional time for government employees to change the amount of their retirement contributions. Starting Friday, you will be able to change the amount you contribute at any time. One advantage of ending open seasons is the end of rules that led to months-long waits for some employees trying to start and stop contributions.

Another big change comes in 2006. Limits on the percentage of salary that can be earmarked for the TSP will disappear. TSP participants will simply observe the Internal Revenue Service's dollar limit on contributions, which will be $15,000 in 2006.

The most far-reaching change, however, will be the introduction of "life-cycle funds" into the TSP. The new funds are on track to be launched in the next month or two. When they roll out, TSP participants will receive a postcard announcement that says, "Put Your Investments on Cruise Control." Agency plans call for the TSP to offer five L funds, with each featuring different asset allocations based on when the workers plan to begin withdrawing their savings. Each L fund will invest in the existing TSP funds, and, over time, will shift from aggressive to conservative investments. TSP officials plan an extensive educational and communications campaign, hoping to show federal employees that L funds will provide them with diversified accounts that could increase their retirement income with as little risk as possible.

As of May, 40 percent of TSP account balances were in the G Fund, a super-safe government securities fund, and 41 percent of account balances were invested in the C Fund, a common stock index that tracks the S&P 500 returns. TSP officials see the tilt toward the G and C funds as a sign that numerous participants could benefit, and protect themselves, if they allocated their assets across more funds. For example, the L fund being created for people planning to retire in 20 to 29 years would strive for high long-term growth and capital appreciation. It would allocate 38 percent to the C Fund; 21 percent to the TSP's international stock fund; 16 percent to the small and mid-size stock fund; 16 percent to the G fund; and 9 percent to the bond index fund.