



Message from the Executive Director

October 7, 2008

Dear TSP Participants:

The last few weeks have been difficult times for all of us. Concerns about domestic and global economic conditions are widespread. News about the economy is front and center in the media. We have experienced tremendous volatility and negative performances in the stock markets. The C, S, and I Funds, which are invested entirely in stocks, have experienced sharp declines. Understandably, as their TSP account balances decline some participants are concerned about the future.

However, I view this as a time for prudence, not panic. For those participants nearing retirement age and who will need immediate access to their money, the G Fund provides the option for stability and safety. The G Fund is guaranteed by the U.S. Government and never declines in value. For those of you with longer-term goals, history has shown us that stock markets do recover. Experts agree that if you seek long-term growth, allocating a portion of your account to stocks remains a prudent choice. Even if you're nearing retirement, your time horizon may be longer than you think because many TSP participants are choosing monthly payments from their TSP accounts. These payments may very well stretch out 20 or 30 years in the future. So, although you may be thinking about retirement in the short-term, your TSP time horizon may actually be much longer.

If you want a better understanding of how to allocate your assets based on your time horizon, please check out the L Funds. While these funds do not guarantee against losses, they are designed by investment professionals to reduce risk as you get closer to retirement. Plus, they provide diversification among all of the TSP's individual funds – a critical strategy to manage your risk in today's environment. In addition, the feature article of the October Highlights addresses investing for the 'long haul.' I recommend that you take a couple of minutes to read the article; it may help you assess your individual situation.

Some of our participants have asked whether the Government can use the assets in the G Fund to help pay for the credit recovery plan. The answer is no. By law, the assets in the TSP are held in trust for each individual participant. So, you don't have to worry about anyone "tapping" your retirement investments for another purpose.

Remember that the TSP is a long-term retirement plan and I encourage you to think carefully before you make changes to your TSP account. Although none of us has a crystal ball to predict the future, I can assure you the TSP remains committed to doing all we can to help you maintain a sound investment strategy during this turbulent period.

Gregory Long
Executive Director