



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

November 7, 2006

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: TRACEY RAY 
CHIEF INVESTMENT OFFICER

SUBJECT: October 2006 Performance Review -
G, F, C, S, I, and L Funds

INTRODUCTION

This report reviews key aspects of the investment performance of the G, F, C, S, I, and L Funds through October 2006: investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BGI Funds

Monthly Tracking Error - October

<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	0.66	0.66	0.00
Large Cap	3.26	3.26	0.00
Small-Mid Cap	4.99	4.98	0.01
International	3.90	3.89	0.01

Year to Date Tracking Error

<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	3.78	3.74	0.04
Large Cap	12.11	12.06	0.05
Small-Mid Cap	11.22	10.97	0.25
International	19.07	18.94	0.13

The **BGI Extended Equity Market Fund E** has outperformed by 25 basis points year to date. The outperformance is primarily related to the sampling technique used by the Fund. The **BGI EAFE Equity Index Fund E** has outperformed by 13 basis points year to date, primarily because of taxes.

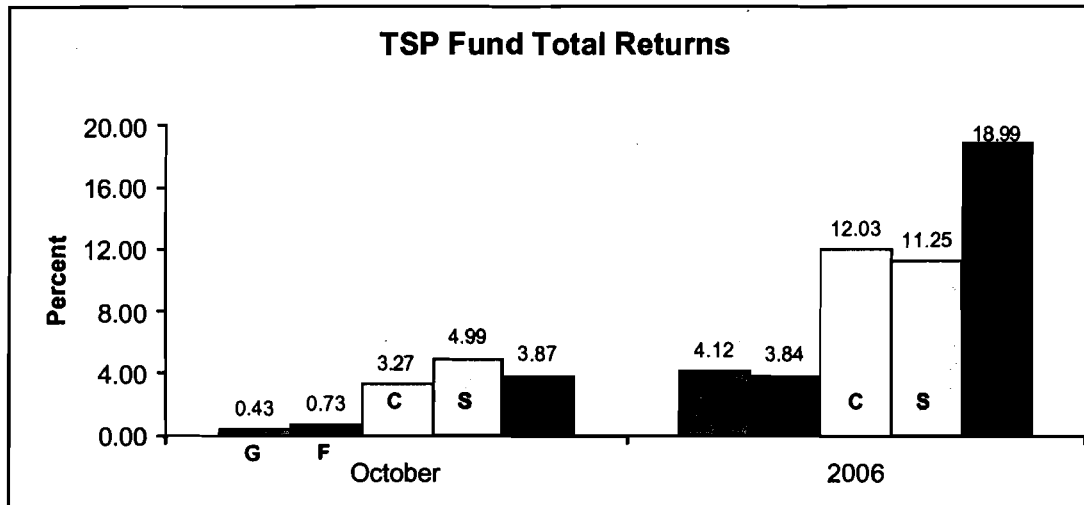
TRADING COSTS

Trading costs in the I Fund remain higher than the other funds on a year to date basis. Australasian and European markets close before BGI receives the TSP order for the day, and the trades are executed the following morning. In times of greater volatility, this execution lag can be costly.

	<u>DOLLAR AMOUNT TRADED</u>	<u>TRADING COSTS</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
October 2006	\$135,277,981	\$555	0.0
Year-to-date	1,872,778,487	141,308	0.8
 <u>C Fund</u>			
October 2006	\$752,853,872	\$253,722	3.4
Year-to-date	6,961,872,439	38,991	0.1
 <u>S Fund</u>			
October 2006	\$326,797,651	\$162,843	5.0
Year-to-date	5,197,262,753	1,109,499	2.1
 <u>I Fund</u>			
October 2006	\$521,106,941	\$213,843	4.1
Year-to-date	10,732,478,348	11,532,339	10.7

PERFORMANCE OF TSP FUNDS

The chart below shows the G, F, C, S, and I Fund net rates of return for October 2006 and the year.



The table below compares the net rates of return for the F, C, S, and I Funds to the returns of the corresponding BGI funds.

October 2006

<u>Fund</u>	<u>TSP</u>	<u>BGI</u>	<u>Difference</u>
Fixed Income	0.73	0.66	0.07
Large Cap	3.27	3.26	0.01
Small-Mid Cap	4.99	4.99	0.00
International	3.87	3.90	-0.03

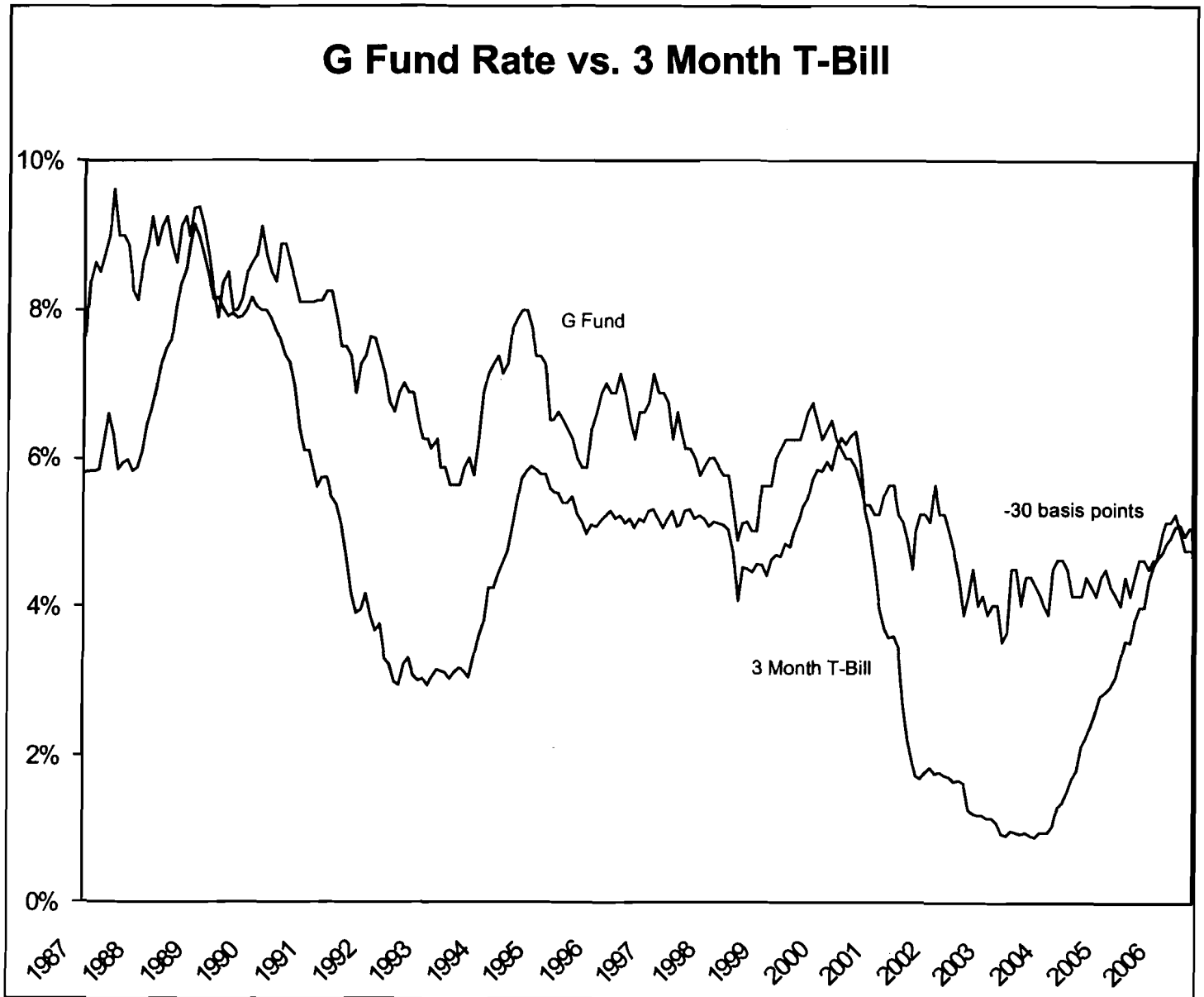
Year to Date

<u>Fund</u>	<u>TSP</u>	<u>BGI</u>	<u>Difference</u>
Fixed Income	3.84	3.78	0.06
Large Cap	12.03	12.11	-0.08
Small-Mid Cap	11.25	11.22	0.03
International	18.99	19.07	-0.08

The TSP Funds have closely tracked the BGI Funds for the month and year to date.

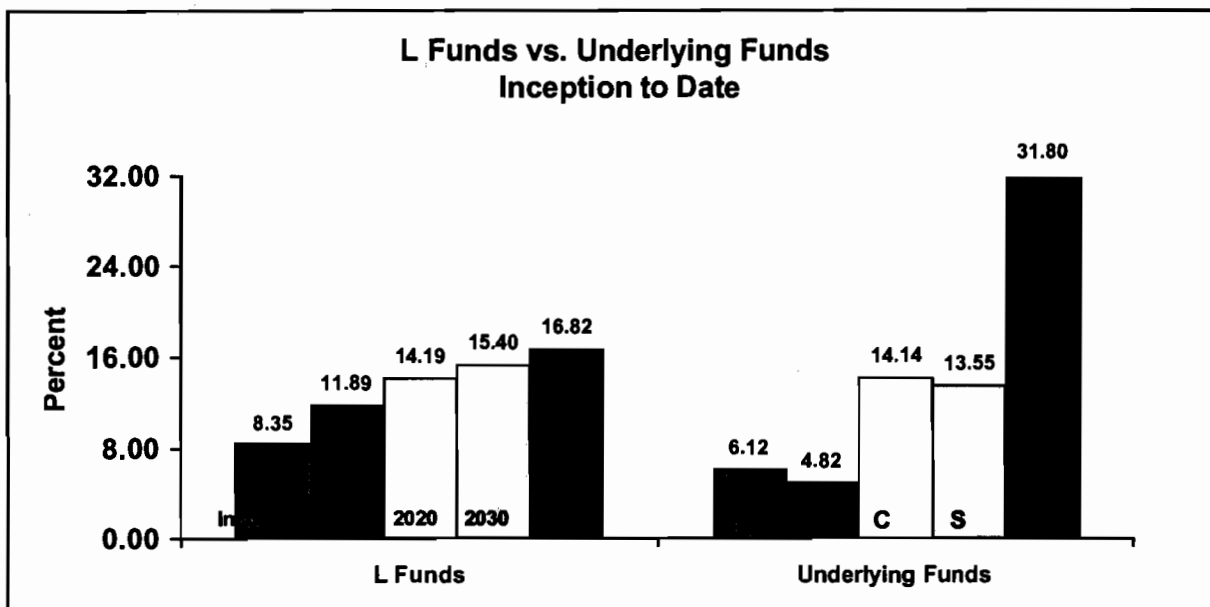
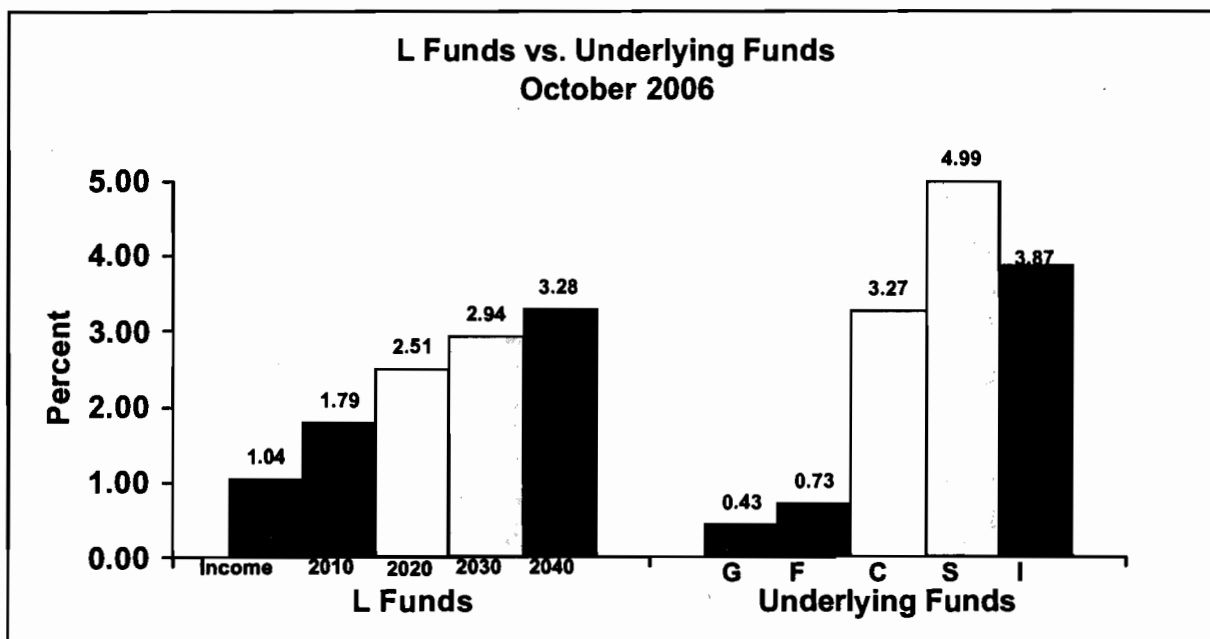
G Fund

The gross G Fund return was .43% in October. The October 2006 nominal statutory G Fund interest rate (expressed on a per-annum basis) was 4.75% versus 4.75% in September. The spread between the yield on 3 month Treasury Bills and the G Fund is -30 basis points.



L Funds

The net rates of return for the L Funds are shown below along with comparable returns for the G, F, C, S, and I Funds. The bulk of our participants' funds are held in the G and C Funds. Since inception, all of the L Funds have outperformed the G Fund. The Income Fund has outperformed the G Fund by 223 basis points. The three longest L Funds have outperformed the C Fund.



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

Attachment 1 provides a summary of TSP investment activity, participation rates, and monthly returns in the G, F, C, S, I, and L Funds.

- October is the first month since November of 2004 that participants have made interfund transfers into the C Fund. Participants transferred \$863 million out of the G Fund and \$682 million into the L Funds. (p.8)
- There are now 11% of FERS participants with balances in the L Funds. (p.9)
- The number of participants in the L Funds rose 5.0% to **400,816** from September's 381,719. The total balance in the L Funds rose 8.3% to **\$15.2 billion** from \$14.0 billion. (p.10)

Attachment

Month end	Participants with Balances in Funds other than the G Fund						Allocation of Account Balances (G/F/C/S/I/L Fund)		
	FERS (000s) %		CSRS (000s) %		Uniformed Services (000s) %		FERS (%) (G / F / C / S / I / L)	CSRS (%) (G / F / C / S / I / L)	Uniformed Services (%) (G / F / C / S / I / L)
1/31/2005	1,437	67%	551	77%	226	40%	38 / 7 / 44 / 6 / 5 / -	43 / 6 / 42 / 5 / 4 / -	49 / 6 / 23 / 14 / 8 / -
2/28/2005	1,442	67%	550	77%	234	40%	37 / 7 / 43 / 7 / 6 / -	42 / 6 / 41 / 6 / 5 / -	48 / 6 / 23 / 14 / 9 / -
3/31/2005	1,444	67%	546	77%	240	41%	38 / 7 / 43 / 6 / 6 / -	43 / 6 / 41 / 5 / 5 / -	49 / 6 / 22 / 14 / 9 / -
4/30/2005	1,443	67%	540	77%	244	42%	39 / 7 / 42 / 6 / 6 / -	44 / 6 / 40 / 5 / 5 / -	49 / 6 / 22 / 14 / 9 / -
5/31/2005	1,448	67%	538	77%	249	42%	39 / 7 / 42 / 7 / 5 / -	44 / 6 / 40 / 5 / 5 / -	48 / 6 / 23 / 14 / 9 / -
6/30/2005	1,451	67%	536	77%	252	42%	39 / 7 / 42 / 7 / 5 / -	44 / 6 / 40 / 5 / 5 / -	48 / 6 / 22 / 15 / 9 / -
7/31/2005	1,460	66%	536	77%	257	42%	38 / 7 / 42 / 8 / 5 / -	43 / 6 / 41 / 6 / 4 / -	47 / 6 / 22 / 16 / 9 / -
8/31/2005	1,467	67%	534	77%	265	43%	38 / 7 / 40 / 7 / 6 / 2	42 / 6 / 39 / 6 / 5 / 2	47 / 5 / 22 / 15 / 9 / 2
9/30/2005	1,474	67%	534	77%	272	43%	37 / 6 / 41 / 7 / 6 / 3	42 / 6 / 39 / 6 / 5 / 2	45 / 5 / 22 / 15 / 10 / 3
10/31/2005	1,479	67%	533	77%	277	43%	38 / 6 / 40 / 7 / 6 / 3	42 / 6 / 38 / 6 / 5 / 3	45 / 5 / 21 / 15 / 10 / 4
11/30/2005	1,490	67%	533	77%	282	43%	36 / 6 / 40 / 8 / 6 / 4	41 / 6 / 38 / 6 / 5 / 4	45 / 5 / 21 / 15 / 10 / 4
12/31/2005	1,497	67%	532	77%	287	43%	35 / 6 / 39 / 8 / 7 / 5	40 / 6 / 38 / 6 / 6 / 4	44 / 5 / 21 / 15 / 10 / 5
1/31/2006	1,506	67%	531	78%	293	44%	35 / 6 / 38 / 8 / 8 / 5	40 / 5 / 37 / 7 / 6 / 5	43 / 5 / 21 / 15 / 11 / 5
2/28/2006	1,515	67%	529	78%	302	45%	34 / 6 / 38 / 8 / 8 / 6	39 / 5 / 37 / 7 / 7 / 5	43 / 4 / 20 / 15 / 11 / 7
3/31/2006	1,520	68%	528	78%	309	45%	35 / 5 / 38 / 8 / 8 / 6	39 / 5 / 36 / 7 / 7 / 6	42 / 4 / 20 / 16 / 11 / 7
4/30/2006	1,528	68%	527	78%	316	46%	34 / 5 / 37 / 9 / 9 / 6	39 / 5 / 36 / 7 / 8 / 6	41 / 4 / 20 / 15 / 12 / 8
5/31/2006	1,525	68%	521	77%	321	46%	35 / 5 / 37 / 8 / 9 / 6	40 / 5 / 35 / 7 / 7 / 6	41 / 4 / 20 / 15 / 12 / 8
6/30/2006	1,521	67%	515	77%	325	46%	36 / 5 / 36 / 8 / 8 / 7	41 / 5 / 35 / 6 / 7 / 6	42 / 4 / 19 / 15 / 12 / 8
7/31/2006	1,521	67%	511	76%	329	46%	37 / 5 / 36 / 7 / 8 / 7	41 / 5 / 35 / 6 / 7 / 6	42 / 4 / 19 / 14 / 12 / 9
8/31/2006	1,530	67%	510	77%	334	46%	36 / 5 / 36 / 7 / 9 / 7	41 / 5 / 35 / 6 / 7 / 6	41 / 4 / 20 / 14 / 12 / 9
9/30/2006	1,537	67%	510	77%	338	47%	35 / 5 / 36 / 7 / 9 / 8	40 / 5 / 35 / 6 / 7 / 7	40 / 4 / 20 / 14 / 12 / 10
10/31/2006	1,546	67%	510	77%	342	47%	34 / 5 / 36 / 8 / 9 / 8	39 / 5 / 35 / 6 / 8 / 7	39 / 4 / 20 / 14 / 13 / 10

Month end	Monthly TSP Contributions (\$ Millions)							Interfund Transfer Activity (\$ Millions)						
	G Fund	F Fund	C Fund	S Fund	I Fund	L Funds	Total	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)	L Funds (\$Mil)	# of ITs
1/31/2005	537	96	581	122	90		1,426	274	12		(90)	242		133,781
2/28/2005	515	90	539	119	92		1,355	(80)	(56)		23	440		118,195
3/31/2005	601	106	644	145	118		1,613	345	(164)		(105)	444		153,888
4/30/2005	528	90	541	123	103		1,385	788	30		(181)	(133)		138,842
5/31/2005	524	89	534	121	102		1,370	93	40		127	(83)		121,692
6/30/2005	615	105	623	142	117		1,602	228	(15)		354	(189)		121,318
7/31/2005	583	99	581	144	113		1,521	(283)	(61)		714	(105)		128,495
8/31/2005	560	94	567	144	111	27	1,503	(620)	(196)		(444)	68	3,124	217,418
9/30/2005	559	93	571	146	116	49	1,534	(160)	(179)		(205)	606	953	150,844
10/31/2005	510	83	501	130	108	58	1,390	(462)	(223)		(43)	260	1,230	164,470
11/30/2005	558	87	533	139	117	80	1,514	(925)	(237)		339	67	1,341	150,510
12/31/2005	562	88	541	147	125	97	1,560	(366)	(109)		27	359	792	140,242
1/31/2006	599	94	599	167	150	125	1,734	(368)	(158)		(15)	753	1,011	205,166
2/28/2006	524	80	510	149	138	117	1,518	(448)	(174)		300	467	562	149,164
3/31/2006	533	80	512	156	146	131	1,558	(111)	(113)		103	375	430	156,071
4/30/2006	515	77	497	155	148	133	1,525	(296)	(87)		244	676	278	158,329
5/31/2006	571	83	531	167	168	143	1,663	1,096	(108)		(462)	60	253	247,508
6/30/2006	610	88	561	177	178	162	1,776	1,662	(66)		(484)	(593)	134	214,778
7/31/2006	549	77	496	156	159	147	1,584	779	(12)		(290)	(139)	389	177,747
8/31/2006	602	84	551	171	181	173	1,762	(424)	8		(333)	593	620	166,682
9/30/2006	529	73	470	145	159	156	1,532	(689)	(42)		14	289	580	151,254
10/31/2006	520	71	468	144	161	162	1,526	(863)	(179)		59	191	682	179,818

Month end	Participants with Balances in the L Funds						Allocation of L Fund Balances		
	FERS		CSRS		Uniformed Services		FERS (%)	CSRS (%)	Uniformed Services (%)
	(000s)	%	(000s)	%	(000s)	%	Inc/2010/2020/2030/2040	Inc/2010/2020/2030/2040	Inc/2010/2020/2030/2040
1/31/2005	-	-	-	-	-	-	-	-	-
2/28/2005	-	-	-	-	-	-	-	-	-
3/31/2005	-	-	-	-	-	-	-	-	-
4/30/2005	-	-	-	-	-	-	-	-	-
5/31/2005	-	-	-	-	-	-	-	-	-
6/30/2005	-	-	-	-	-	-	-	-	-
7/31/2005	-	-	-	-	-	-	-	-	-
8/31/2005	54	2%	13	2%	14	2%	6 / 26 / 41 / 19 / 8	14 / 50 / 29 / 4 / 3	2 / 8 / 23 / 36 / 31
9/30/2005	74	3%	17	2%	26	4%	6 / 25 / 42 / 19 / 8	14 / 50 / 29 / 4 / 3	2 / 8 / 24 / 35 / 31
10/31/2005	96	4%	23	3%	32	5%	6 / 24 / 42 / 19 / 9	14 / 50 / 29 / 4 / 3	2 / 8 / 24 / 35 / 31
11/30/2005	121	5%	29	4%	38	6%	6 / 24 / 42 / 19 / 9	13 / 51 / 29 / 4 / 3	2 / 8 / 23 / 36 / 31
12/31/2005	138	6%	33	5%	44	7%	6 / 24 / 41 / 20 / 9	13 / 50 / 30 / 4 / 3	2 / 8 / 23 / 36 / 31
1/31/2006	159	7%	37	5%	49	7%	5 / 23 / 42 / 20 / 10	13 / 48 / 30 / 5 / 4	2 / 8 / 24 / 35 / 31
2/28/2006	172	8%	40	6%	58	9%	5 / 23 / 41 / 21 / 10	12 / 49 / 30 / 5 / 4	2 / 8 / 24 / 35 / 31
3/31/2006	183	8%	42	6%	66	10%	5 / 22 / 42 / 21 / 10	12 / 48 / 31 / 5 / 4	2 / 8 / 24 / 35 / 31
4/30/2006	191	8%	43	6%	71	10%	5 / 22 / 42 / 21 / 10	11 / 49 / 31 / 5 / 4	2 / 7 / 24 / 36 / 31
5/31/2006	199	9%	44	7%	75	11%	5 / 22 / 41 / 21 / 11	11 / 48 / 31 / 5 / 5	2 / 8 / 24 / 35 / 31
6/30/2006	205	9%	45	7%	79	11%	5 / 22 / 41 / 21 / 11	12 / 48 / 31 / 5 / 4	2 / 8 / 24 / 35 / 31
7/31/2006	215	9%	46	7%	83	12%	5 / 22 / 41 / 21 / 11	11 / 48 / 32 / 5 / 4	2 / 8 / 24 / 35 / 31
8/31/2006	228	10%	49	7%	87	12%	5 / 22 / 41 / 21 / 11	11 / 48 / 31 / 5 / 5	2 / 8 / 23 / 35 / 32
9/30/2006	239	10%	51	8%	92	13%	5 / 22 / 40 / 22 / 11	11 / 47 / 31 / 6 / 5	2 / 8 / 23 / 35 / 32
10/31/2006	252	11%	53	8%	96	13%	5 / 21 / 40 / 22 / 12	11 / 46 / 32 / 6 / 5	2 / 7 / 23 / 35 / 33

Month end	L Fund Investment Balances						Number of Participant Accounts with L Fund Balances					
	Income (\$Mil)	2010 (\$Mil)	2020 (\$Mil)	2030 (\$Mil)	2040 (\$Mil)	Total (\$Mil)	Income	2010	2020	2030	2040	Any L Fund
1/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
2/28/2005	-	-	-	-	-	-	-	-	-	-	-	-
3/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
4/30/2005	-	-	-	-	-	-	-	-	-	-	-	-
5/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
6/30/2005	-	-	-	-	-	-	-	-	-	-	-	-
7/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
8/31/2005	253	934	1,205	519	244	3,155	6,198	16,680	23,601	19,155	17,425	81,507
9/30/2005	316	1,206	1,597	697	335	4,151	8,992	24,105	34,583	28,710	26,501	116,264
10/31/2005	400	1,556	2,090	915	430	5,391	11,792	32,043	45,947	37,685	34,494	150,309
11/30/2005	489	1,988	2,713	1,186	563	6,939	14,556	40,559	58,501	47,424	43,075	188,155
12/31/2005	542	2,235	3,092	1,362	664	7,895	16,915	46,517	67,777	55,164	50,848	214,779
1/31/2006	601	2,540	3,624	1,637	840	9,242	19,010	52,724	77,896	64,357	59,992	245,922
2/28/2006	625	2,681	3,883	1,797	932	9,918	20,732	57,305	86,042	72,500	68,296	270,553
3/31/2006	645	2,835	4,150	1,954	1,034	10,618	22,342	61,132	92,466	79,150	75,516	290,311
4/30/2006	661	2,937	4,368	2,081	1,117	11,164	23,466	63,779	97,479	84,242	81,169	304,888
5/31/2006	673	2,964	4,403	2,122	1,147	11,309	24,545	66,088	101,427	88,672	86,226	317,704
6/30/2006	686	3,026	4,520	2,206	1,184	11,622	25,781	68,121	105,069	92,496	90,453	329,072
7/31/2006	725	3,159	4,728	2,315	1,244	12,171	27,502	71,614	110,129	97,018	95,163	344,396
8/31/2006	770	3,386	5,089	2,518	1,395	13,158	29,354	75,840	116,410	103,073	102,558	364,701
9/30/2006	806	3,563	5,402	2,698	1,555	14,024	30,831	79,178	121,920	108,511	109,608	381,719
10/31/2006	856	3,782	5,809	2,942	1,795	15,184	32,257	82,488	127,583	114,120	117,849	400,816