



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

April 10, 2008

MEMORANDUM FOR BOARD MEMBERS SAUL, FINK, WHITING,  
SANCHEZ, AND DUFFY

FROM:

GREGORY T. LONG  
EXECUTIVE DIRECTOR

A handwritten signature in blue ink, appearing to be "G. Long", written over the typed name and title.

SUBJECT:

March 2008 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 March 2008: investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

**TRACKING ERROR - BGI Funds**

**March Tracking Error**

<b><u>Fund</u></b>	<b><u>% BGI FUND Performance</u></b>	<b><u>% Index Performance</u></b>	<b><u>Tracking Error</u></b>
Fixed Income	0.36	0.34	0.02
Large Cap	-0.43	-0.43	0.00
Small Mid Cap	-1.44	-1.77	0.33
International	0.15	-1.05	1.20

**Year to Date Tracking Error**

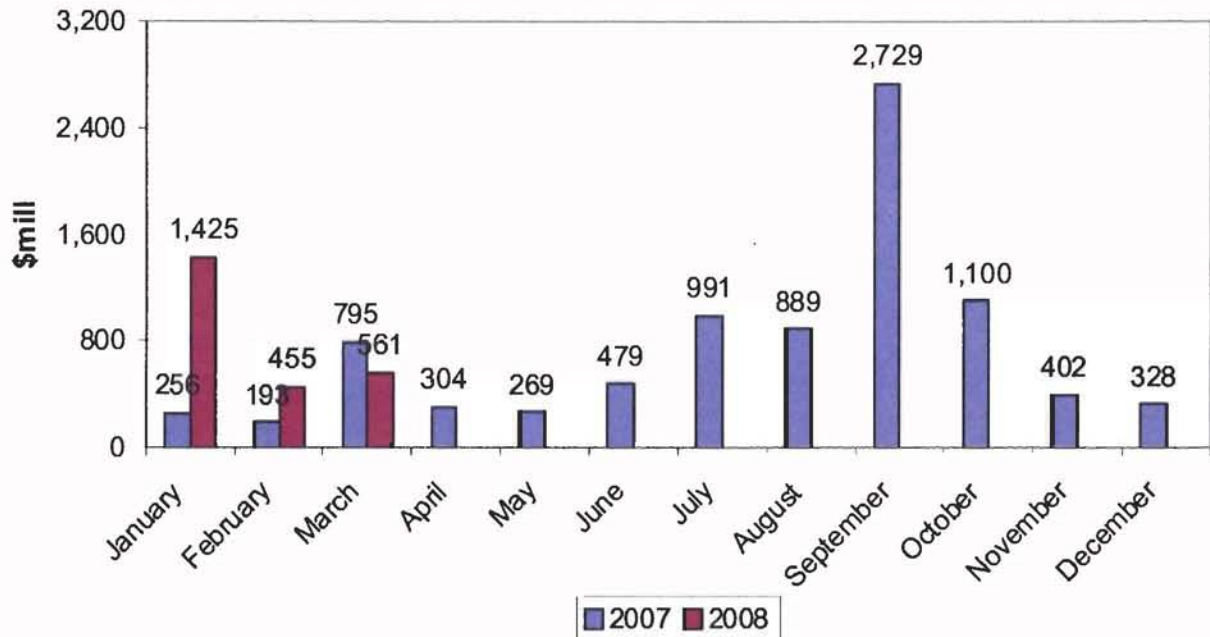
<b><u>Fund</u></b>	<b><u>% BGI FUND Performance</u></b>	<b><u>% Index Performance</u></b>	<b><u>Tracking Error</u></b>
Fixed Income	2.28	2.17	0.11
Large Cap	-9.44	-9.44	0.00
Small-Mid Cap	-9.53	-9.83	0.30
International	-8.91	-8.91	0.00

The **Barclays Extended Equity Market Fund E** outperformed by 33 basis points in March. The outperformance is primarily related to the sampling technique used by the Fund. The **Barclay's EAFE Equity Index Fund E** outperformed by 120 basis points in March primarily because of a fair valuation adjustment on February 29. The **Barclays U.S. Debt Index Fund E** has outperformed by 11 basis points in 2008, primarily as a result of the sampling technique used by the Fund.

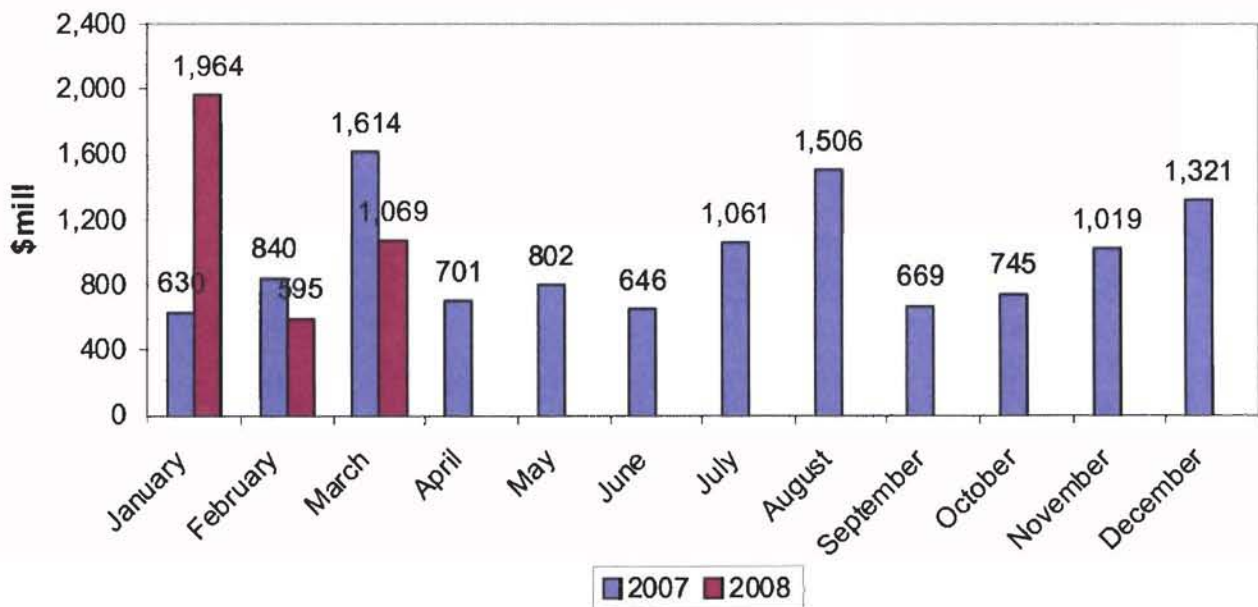
# TRADING COSTS

	<u>DOLLAR AMOUNT TRADED</u>	<u>TRADING COSTS</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
March 2008	560,505,162	399,543	7.1
Year-to-Date	2,440,318,916	1,358,066	5.6
 <u>C Fund</u>			
March 2008	1,069,369,678	530,234	5.0
Year-to-Date	3,628,664,780	412,268	1.1
 <u>S Fund</u>			
March 2008	443,381,405	47,170	1.1
Year-to-Date	2,106,177,189	855,307	4.1
 <u>I Fund</u>			
March 2008	832,160,690	259,849	3.1
Year-to-Date	4,426,994,998	-709,877	-1.6

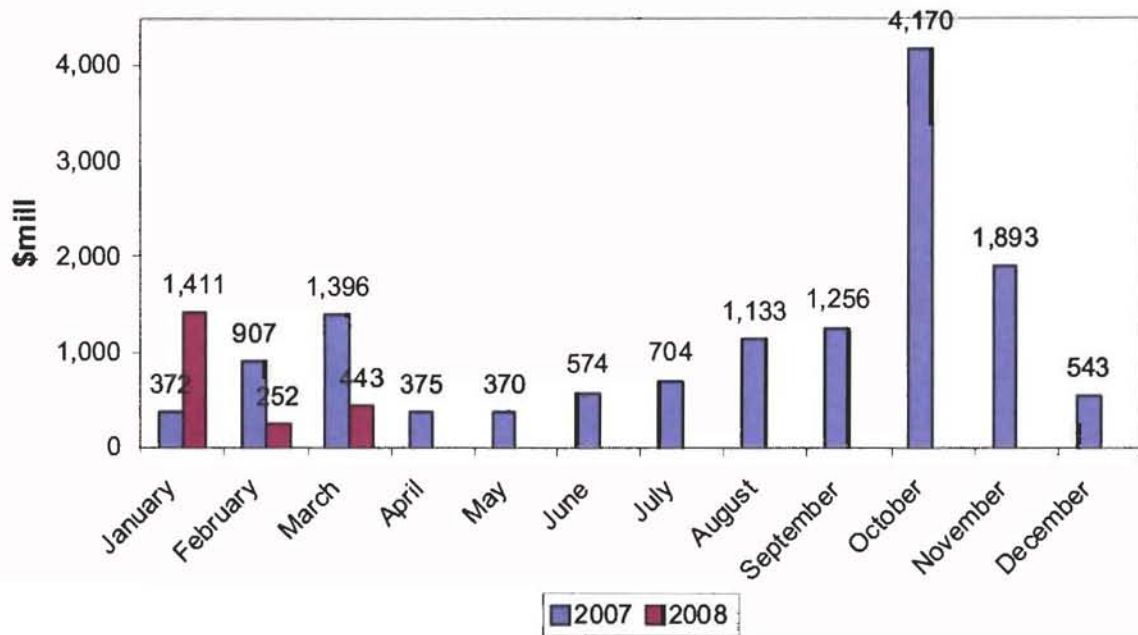
### F Fund - \$ Amount Traded



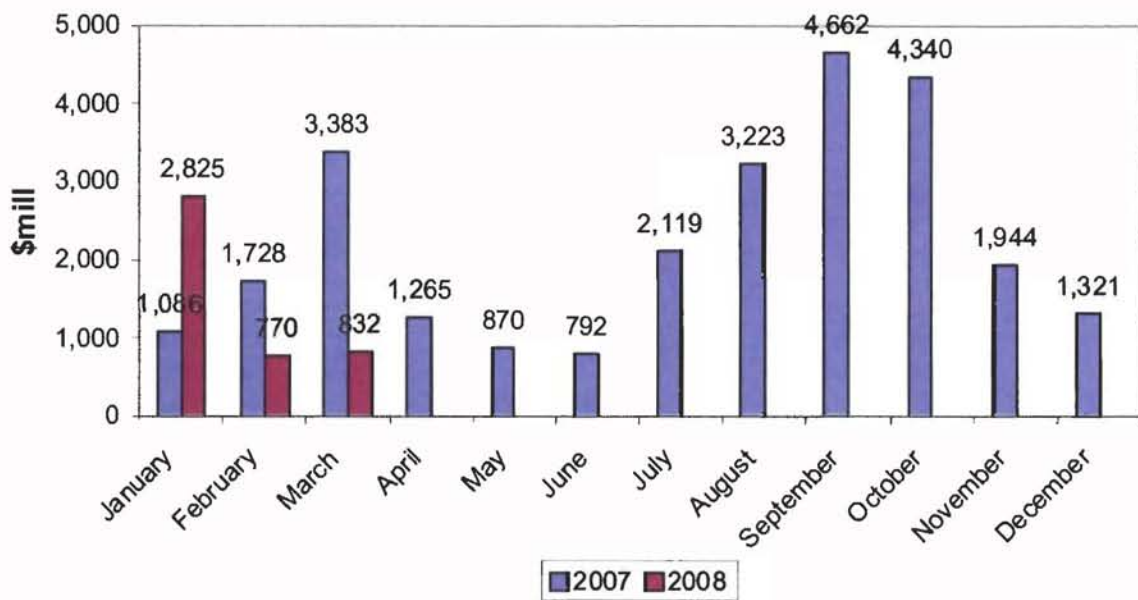
### C Fund - \$ Amount Traded



### S Fund - \$ Amount Traded



### I Fund - \$ Amount Traded



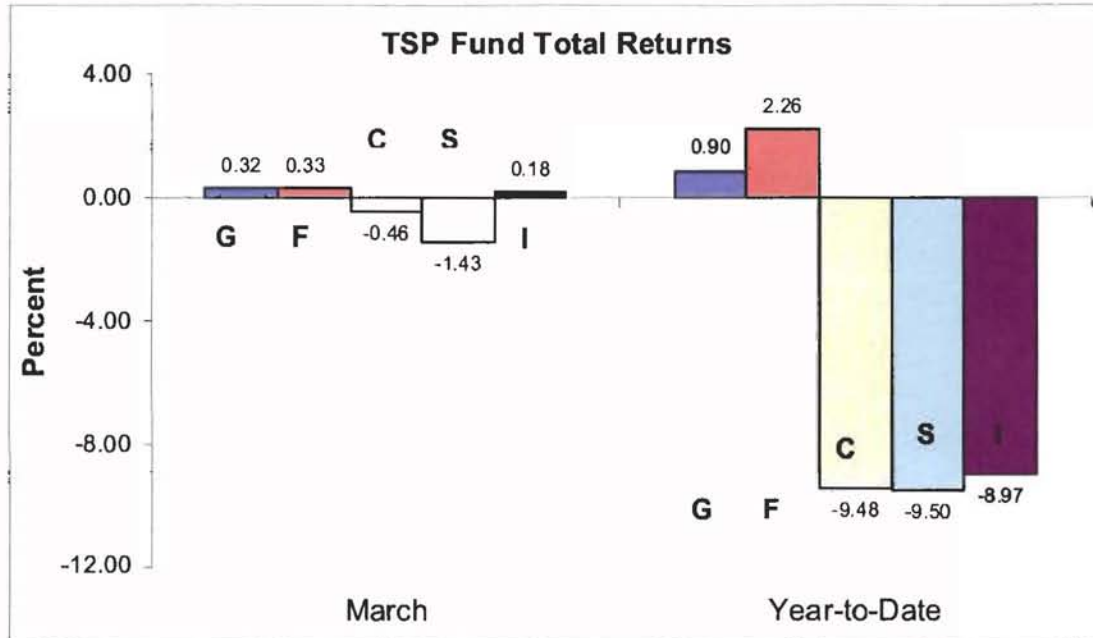
## G FUND

The following table compares the G Fund rate to the 3 month Treasury bill, the 10 year Treasury note and the 30 year Treasury bond.

	<u>G Fund</u>	<u>3-month T-bill</u>	<u>10 year T-note</u>	<u>30 year T-bond</u>
January	4.00%	3.31%	4.03%	4.45%
February	3.50	1.98	3.60	4.32
March	3.38	1.84	3.51	4.40
April	3.38	1.35	3.41	4.29

## PERFORMANCE OF TSP FUNDS

The chart below shows the G, F, C, S, and I Fund net rates of return for March 2008 and year-to-date.



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

### **March 2008 Total Return %**

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.33	0.36	-.03	0.34
Large Cap	-0.46	-0.43	-.03	-0.43
Small Cap	-1.43	-1.44	.01	-1.77
International	0.18	0.15	.03	-1.05

### **Year-to-Date %**

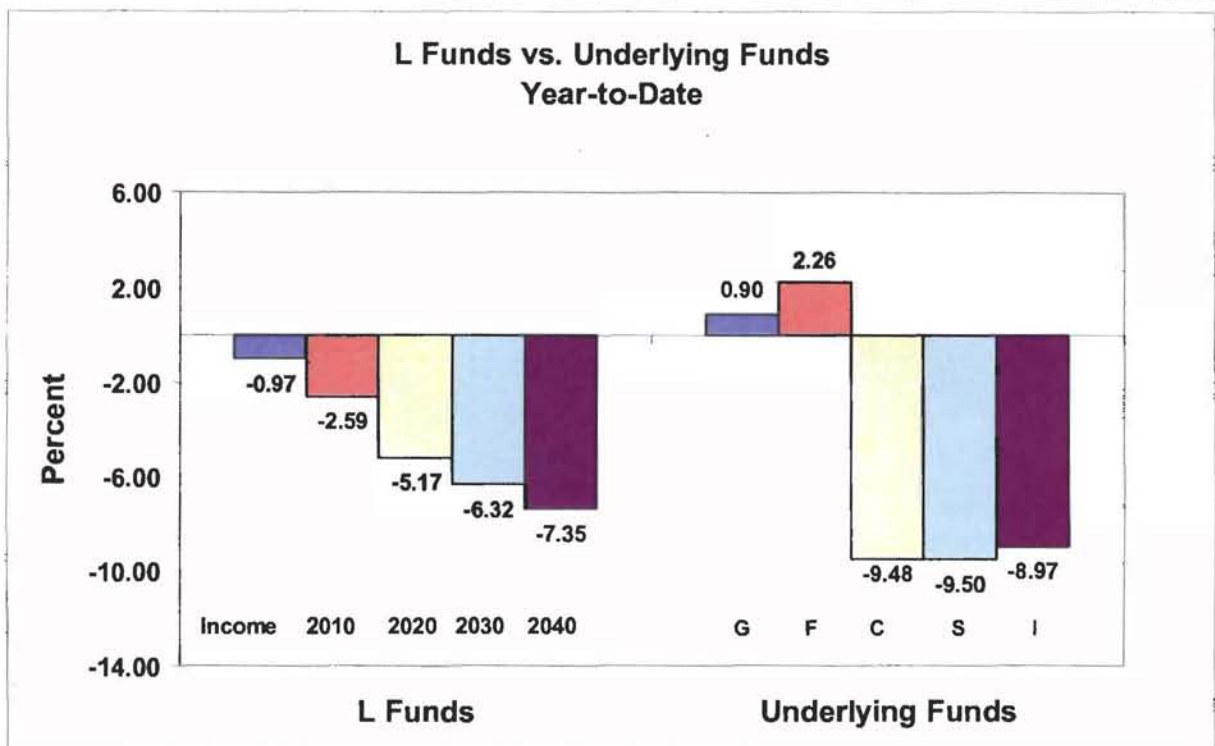
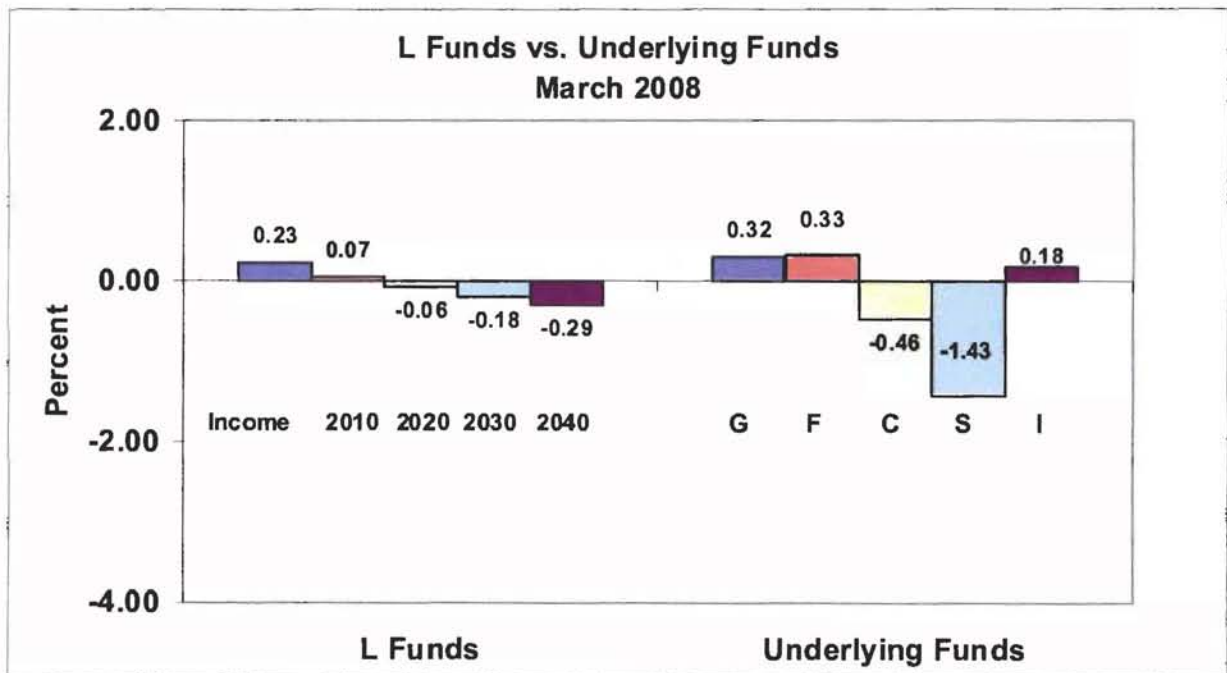
<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	2.26	2.28	-.02	2.17
Large Cap	-9.48	-9.44	-.04	-9.44
Small Cap	-9.50	-9.53	.03	-9.83
International	-8.97	-8.91	-.06	-8.91

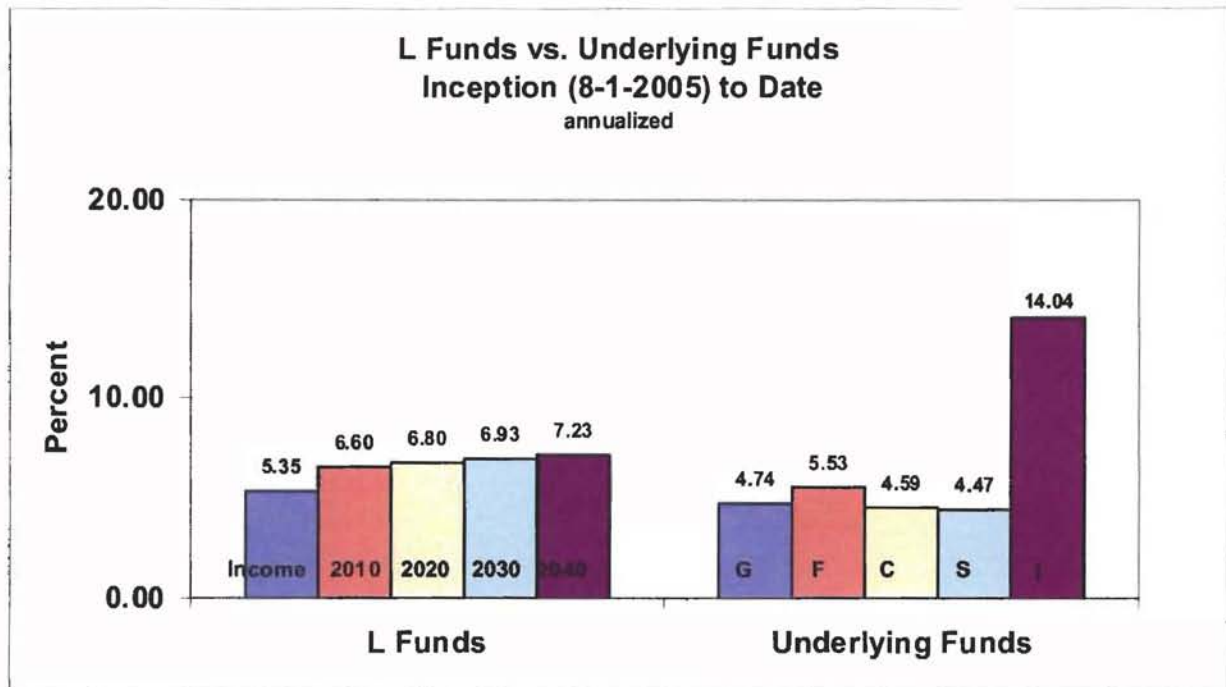
The TSP Funds closely tracked the Barclays Funds for the month and year-to-date.



## 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. **Year-to-date, all of the L Funds have outperformed the C, S, and I Funds.** Annualized, since inception, all of the L Funds have outperformed the G Fund. The Income Fund has outperformed the G Fund by 61 basis points on an annual basis.





#### **THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**

Attachment 1 provides a summary of TSP investment activity and participation rates.

- Participants continued to transfer money from the equity-oriented funds into the fixed income funds. (pg. 10)

#### **PROXY VOTING**

An audit of Barclays' proxy votes voting conducted by Institutional Shareholder Services, ISS, which is now operating as a wholly owned subsidiary of RiskMetrics Group, found no exceptions to Barclays' established guidelines during the third quarter of 2007. A copy of the audit report is provided as Attachment 2. ISS's audit report for the fourth quarter of 2007 is not yet available. There were no changes to Barclays' proxy voting policy in the third quarter.



## **RECOMMENDATION**

The G Fund investments produce long-term yields while incurring no market risk. **I recommend reaffirmation of the current G Fund policy of investing solely in short-term maturities.**

The Barclays U.S. Debt Index Fund E, Equity Index Fund E, Extended Market Index Fund E, and EAFE Equity Index Fund E have tracked their respective indices and have incurred low trading costs. Based on the performance of these funds, and the F, C, S, and I Funds' performance discussed above, **I recommend reaffirmation of the current F, C, S, and I Fund investment policies.**

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. § 8401 -- et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund (5 U.S.C. § 8472(f) (1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

Attachments

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**Contributions and Interfund Transfers**

Month end	Monthly TSP Contributions							Interfund Transfer Activity						
	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)	L Funds (\$Mil)	Total (\$Mil)	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)	L Funds (\$Mil)	# of IFTs
12/31/2004	618	107	616	130	90	N/A	1,560	(397)	(156)	(326)	357	522	N/A	141,159
12/31/2005	562	88	541	147	125	97	1,560	(366)	(109)	(703)	27	359	792	140,242
12/31/2006	524	71	473	148	173	180	1,569	(448)	29	(593)	(143)	715	440	148,123
1/31/2007	611	85	580	183	223	227	1,909	(566)	(219)	(525)	(50)	771	589	175,918
2/28/2007	518	71	479	156	194	201	1,619	947	98	(818)	(107)	(391)	271	194,549
3/31/2007	536	72	475	154	193	206	1,636	1,079	113	(843)	(302)	(354)	307	268,213
4/30/2007	518	70	465	150	195	204	1,602	(887)	(63)	(516)	(91)	1,075	482	188,180
5/31/2007	621	84	558	179	239	250	1,931	(144)	(106)	(207)	(29)	104	382	177,196
6/30/2007	537	71	476	158	211	221	1,674	(194)	(146)	(327)	245	162	260	169,638
7/31/2007	603	82	568	188	252	264	1,957	217	8	(454)	(290)	304	215	209,575
8/31/2007	523	68	451	150	204	221	1,617	2,497	421	(1,115)	(697)	(1,081)	(25)	271,447
9/30/2007	517	68	448	147	200	221	1,601	142	(213)	(391)	39	23	400	201,192
10/31/2007	572	74	485	159	221	240	1,751	(1,229)	(94)	(286)	458	764	387	201,126
11/30/2007	601	80	517	169	238	265	1,870	1,194	258	(861)	(681)	71	19	188,623
12/31/2007	529	67	440	145	210	228	1,619	17	(24)	(309)	0	72	244	133,550
1/31/2008	621	83	512	165	240	268	1,889	4,405	1,332	(1,839)	(1,204)	(2,295)	(399)	260,044
2/29/2008	580	80	439	141	203	241	1,684	810	242	(639)	(202)	(370)	159	137,320
3/31/2008	591	82	435	138	199	240	1,685	1,876	512	(999)	(417)	(720)	(252)	147,306

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**L Fund Investment Balances and Number of Participants**

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

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
12/31/2006	917	4,081	6,418	3,335	2,126	16,877	34,698	87,845	137,155	124,086	132,325	433,025

1/31/2007	945	4,253	6,770	3,569	2,325	17,862	35,884	90,846	142,944	130,446	141,504	452,990
2/28/2007	969	4,288	6,876	3,661	2,431	18,225	36,805	92,347	146,563	134,733	147,822	466,011
3/31/2007	1,024	4,425	7,107	3,815	2,532	18,903	38,162	94,330	150,187	138,790	153,296	479,199
4/30/2007	1,056	4,613	7,500	4,068	2,766	20,003	39,040	96,641	154,557	143,464	160,361	492,781
5/31/2007	1,106	4,781	7,852	4,298	2,981	21,018	40,005	98,731	158,403	147,738	167,023	505,790
6/30/2007	1,100	4,826	7,962	4,385	3,066	21,339	40,711	100,161	161,585	151,245	172,169	515,928
7/31/2007	1,105	4,839	7,977	4,399	3,072	21,392	41,428	101,406	164,251	154,401	176,988	525,602
8/31/2007	1,126	4,890	8,080	4,494	3,107	21,697	42,143	102,132	165,732	156,845	180,103	532,836
9/30/2007	1,183	5,097	8,485	4,751	3,324	22,840	43,015	104,039	168,956	160,405	185,224	543,213
10/31/2007	1,216	5,270	8,835	4,976	3,540	23,837	43,842	105,893	172,179	163,699	190,501	553,212
11/30/2007	1,225	5,258	8,690	4,892	3,477	23,542	44,564	106,853	173,626	165,725	193,441	559,051
12/31/2007	1,237	5,326	8,801	4,970	3,547	23,881	45,093	108,073	175,838	168,215	196,888	566,232

1/31/2008	1,248	5,137	8,379	4,730	3,303	22,797	45,776	107,113	174,501	168,348	196,366	567,020
2/29/2008	1,250	5,146	8,403	4,766	3,308	22,873	46,564	108,280	176,978	171,237	199,758	575,405
3/31/2008	1,237	5,084	8,368	4,800	3,305	22,794	47,165	108,208	177,624	173,291	201,998	580,062

# THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

## Allocation of Account Balances

Month end	Number of TSP Participants with Entire Account Balance Invested in One Lifecycle Fund						Allocation of Account Balances (G/F/C/S/I/L Fund)		
	FERS		CSRS		Uniformed Services		FERS (%)	CSRS (%)	Uniformed Services (%)
	#	%	#	%	#	%	(G/F/C/S/I/L)	(G/F/C/S/I/L)	(G/F/C/S/I/L)
12/31/2004	-	-	-	-	-	-	37/7/44/7/5/-	43/6/42/5/4/-	49/6/23/14/8/-
12/31/2005	55,386	2%	17,220	2%	14,404	2%	35/6/39/8/7/5	40/6/38/6/6/4	44/5/21/15/10/5
12/31/2006	94,323	4%	25,860	4%	30,921	4%	32/5/36/8/10/9	38/5/35/6/8/8	38/4/20/14/13/11
1/31/2007	97,967	4%	26,489	4%	32,517	4%	31/5/36/8/11/9	37/5/35/6/9/8	36/4/20/15/14/11
2/28/2007	100,232	4%	26,835	4%	33,344	4%	32/5/35/8/11/9	38/5/34/6/9/8	37/4/19/14/14/12
3/31/2007	102,312	4%	27,023	4%	34,289	4%	33/5/35/8/10/9	38/5/34/6/9/8	37/4/19/14/14/12
4/30/2007	104,911	4%	27,522	4%	35,285	5%	31/5/35/8/11/10	37/5/35/6/9/8	36/4/20/14/14/12
5/31/2007	106,136	5%	27,642	4%	35,954	5%	31/5/35/8/11/10	37/4/35/6/9/9	35/4/19/15/14/13
6/30/2007	107,580	5%	27,842	4%	36,560	5%	31/5/35/8/11/10	36/4/34/7/10/9	36/3/19/14/15/13
7/31/2007	109,163	5%	28,093	4%	37,316	5%	32/5/34/8/12/10	38/4/33/6/10/9	35/4/19/14/15/13
8/31/2007	110,279	5%	27,942	4%	37,874	5%	33/5/34/7/11/10	38/5/33/6/9/9	36/4/19/14/14/13
9/30/2007	112,277	5%	28,444	5%	38,763	5%	32/5/35/7/11/10	38/5/33/6/9/9	35/4/19/14/15/14
10/31/2007	113,906	5%	28,773	5%	39,277	5%	31/5/33/8/12/11	37/4/34/6/10/9	34/3/19/14/15/14
11/30/2007	114,782	5%	28,578	5%	39,547	5%	32/5/33/7/12/11	38/5/32/6/10/9	36/4/18/13/15/14
12/31/2007	116,157	5%	28,753	5%	40,046	5%	32/5/33/7/12/11	39/5/32/6/9/9	36/4/18/13/15/14
1/31/2008	115,790	5%	28,066	5%	40,607	5%	35/6/31/7/10/11	42/6/30/5/8/9	37/4/18/13/14/14
2/29/2008	117,125	5%	27,878	5%	41,026	5%	37/6/30/6/10/11	43/6/29/5/8/9	38/4/17/13/14/14
3/31/2008	117,022	5%	27,303	4%	41,626	5%	37/6/30/6/10/11	44/6/29/5/8/9	39/4/17/12/14/14

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**L Fund Participation Rates and Balance Distribution**

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
12/31/2005	138	6%	33	5%	44	7%	6 / 24 / 41 / 20 / 9	13 / 50 / 30 / 4 / 3	2 / 8 / 23 / 36 / 31
12/31/2006	273	12%	57	9%	103	14%	4 / 21 / 40 / 22 / 13	11 / 45 / 32 / 6 / 6	2 / 7 / 22 / 35 / 34
1/31/2007	286	12%	59	9%	107	14%	4 / 20 / 41 / 22 / 13	10 / 45 / 33 / 6 / 6	2 / 7 / 22 / 35 / 34
2/28/2007	294	13%	60	9%	112	15%	4 / 20 / 40 / 22 / 14	10 / 45 / 33 / 6 / 6	2 / 7 / 22 / 35 / 34
3/31/2007	303	13%	61	9%	116	15%	5 / 20 / 39 / 22 / 14	10 / 45 / 33 / 6 / 6	2 / 7 / 22 / 35 / 34
4/30/2007	311	13%	62	10%	119	15%	5 / 20 / 39 / 22 / 14	10 / 44 / 33 / 6 / 7	2 / 7 / 22 / 34 / 35
5/31/2007	319	14%	64	10%	123	16%	4 / 19 / 39 / 23 / 15	10 / 43 / 33 / 7 / 7	2 / 6 / 21 / 35 / 36
6/30/2007	326	14%	65	10%	126	16%	4 / 19 / 39 / 23 / 15	10 / 43 / 33 / 7 / 7	2 / 6 / 21 / 35 / 36
7/31/2007	332	14%	65	10%	128	16%	4 / 19 / 39 / 23 / 15	10 / 43 / 33 / 7 / 7	2 / 6 / 21 / 35 / 36
8/31/2007	337	14%	65	10%	131	16%	4 / 19 / 39 / 23 / 15	10 / 43 / 33 / 7 / 7	2 / 6 / 21 / 35 / 36
9/30/2007	344	14%	66	10%	133	17%	4 / 19 / 39 / 23 / 15	10 / 42 / 34 / 7 / 7	2 / 6 / 21 / 35 / 36
10/31/2007	350	15%	67	11%	136	17%	4 / 19 / 39 / 23 / 15	10 / 42 / 34 / 7 / 7	2 / 6 / 21 / 34 / 37
11/30/2007	354	15%	67	11%	137	17%	4 / 19 / 39 / 23 / 15	10 / 42 / 34 / 7 / 7	2 / 6 / 21 / 34 / 37
12/31/2007	359	15%	68	11%	139	17%	4 / 19 / 39 / 23 / 15	10 / 42 / 34 / 7 / 7	2 / 6 / 21 / 34 / 37
1/31/2008	360	15%	66	11%	140	17%	5 / 19 / 38 / 23 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 21 / 34 / 37
2/29/2008	366	15%	66	11%	143	17%	5 / 19 / 38 / 23 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 21 / 34 / 37
3/31/2008	369	15%	66	11%	145	17%	5 / 19 / 38 / 23 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 20 / 35 / 37






January 16, 2008

Mr. Chad Spittler  
Associate Director  
Corporate Governance & Proxy Voting  
Barclays Global Investors  
45 Fremont Street  
San Francisco, CA 94105

Dear Chad,

Enclosed are the results of our review of proxy votes by Barclays Global Investors for the 4th quarter of 2007. Our review found that there were no exceptions to policy over this period.

Best regards,

  
Steven E. Friedman  
Chief Legal Officer

sef/awk/encl.

cc: Stephanie Bounds, Kathy Hagerman, Adrian Kosinda



## MEMORANDUM

The results of our review of BGI's 4th quarter proxy voting are as follows:

- Votes at 59 meetings were examined.
- Votes at 32 of the 59 meetings were for directors and/or auditor only (compliance votes).
- At the remaining 27 meetings, there were 47 non-routine proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	15
Employee share purchase plan	5
Increase in common stock	6
Merger and/or reorganization	7
Issue shares in connection with merger	1
Issue shares in connection with debt restructuring	1
Adjourn meeting	6
Amend articles	1
Other business	4
Shareholder proposal	1
<b>Total:</b>	<b>47</b>

- There were 15 votes cast on executive stock option plans:

- a) 14 votes were voted in favor of plans (93.3 percent)
- b) 1 was voted against approval of plan (6.7 percent)

Plan was voted against due to repricing without shareholder approval.

- There were 6 votes cast on proposals to increase authorized common stock; the votes were cast in favor of the increases in common stock.
- There were 7 votes cast on mergers or major corporate transactions; the votes were cast in favor of the mergers.
- There was 1 vote cast on a shareholder proposal to prepare a sustainability report.

There were no exceptions to policy this period.