THRIFT SAVINGS FUND
Washington, DC

FINANCIAL STATEMENTS
December 31, 2014 and 2013

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Independent Auditors' Report

Members of the Board and Executive Director
Federal Retirement Thrift Investment Board
Washington, DC

We have audited the accompanying financial statements of Thrift Savings Fund (the "Fund"), which comprise the statements of net assets available for benefits as of December 31, 2014 and 2013, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Fund as of December 31, 2014 and 2013, and the changes in its net assets available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Baltimore, Maryland
April 3, 2015

FINANCIAL STATEMENTS

THRIFT SAVINGS FUND

Statements of Net Assets Available for Benefits
As of December 31, 2014 and 2013
(In thousands)

	2014	2013
ASSETS:		
Investments, at fair value:	$ 439,670,217	$ 397,059,539
RECEIVABLES:		
Employer contributions	301,512	293,208
Participant contributions	779,770	759,846
Notes receivable from Participants (Loans)	8,800,389	8,785,546
Due for securities sold	72,965	34,862
Total receivables	9,954,636	9,873,462
Fixed assets:		
Furniture, equipment, and leasehold improvements, net of accumulated depreciation and amortization of $26,752 in 2014 and $23,519 in 2013	10,288	5,774
Data processing software, net of accumulated amortization of $55,407 in 2014 and $54,667 in 2013	2,221	190
Total fixed assets	12,509	5,964
Other assets	54	2,545
Total assets	449,637,416	406,941,510
LIABILITIES:		
Accounts payable	22,808	22,751
Accrued payroll and benefits	2,505	2,475
Benefits and participant loans payable	131,546	134,604
Deferred rent and lease credits	8,693	7,922
Due for securities purchased	121,586	85,339
Cash Collateral Payable	21,274,000	12,174,000
Total liabilities	21,561,138	12,427,091
FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	(3,702)	(3,997)
NET ASSETS AVAILABLE FOR BENEFITS	$ 428,072,576	$ 394,510,422

See notes to financial statements and Independent Auditors' Report.

THRIFT SAVINGS FUND

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2014 and 2013

(In thousands)

	2014	2013
ADDITIONS:		
Investment income:		
U.S. Government Securities Investment Fund	$ 3,830,072	$ 2,987,371
Net appreciation in fair value of BlackRock funds	19,998,340	46,559,732
Asset manager rebates/ securities lending income (net)	28,860	43,564
Less investment expenses	(4,996)	(2,500)
Net investment income	23,852,276	49,588,167
Contributions:		
Participant	18,515,415	18,056,694
Employer	7,869,460	7,631,123
Total contributions	26,384,875	25,687,817
Loan administrative fees	13,384	14,774
Interest income on notes receivable from participants (Loans)	179,960	176,417
Total additions	50,430,495	75,467,175
DEDUCTIONS:		
Benefits paid to participants	16,382,504	15,424,167
Administrative expenses	166,572	161,138
Notes receivable from participants declared taxable distributions	319,560	324,262
Total deductions	16,868,636	15,909,567
CHANGE IN FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	295	117
Net increase	33,562,154	59,557,725
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of period	394,510,422	334,952,697
End of period	$ 428,072,576	$ 394,510,422

See notes to financial statements and Independent Auditors' Report

THRIFT SAVINGS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

1. PLAN DESCRIPTION

The following description is provided for general information purposes. Participants should refer to the *Summary of the Thrift Savings Plan*, www.tsp.gov, and applicable legislation and regulations for more complete information.

General—The Thrift Savings Plan (the Plan or the TSP) is a retirement savings and investment plan for Federal employees and members of the uniformed services. It was authorized by the United States Congress in the Federal Employees' Retirement System Act of 1986 (FERSA). The Plan provides Federal employees and members of the uniformed services with a savings and tax benefit similar to what many private sector employers offer their employees under 401(k) plans. The Plan was primarily designed to be a key part of the retirement package (along with a basic annuity benefit and Social Security) for employees who are covered by the Federal Employees' Retirement System (FERS).

The Plan is administered by an independent Government agency, the Federal Retirement Thrift Investment Board (the Agency), which is charged with operating the Plan prudently and solely in the interest of the participants and their beneficiaries. Assets of the Plan are maintained in the Thrift Savings Fund (the Fund).

Federal employees, who are participants in FERS, in the Civil Service Retirement System (CSRS), or in equivalent retirement systems (as provided by statute) and members of the uniformed services, are eligible to join the Plan immediately upon being hired. Generally, FERS employees are those employees hired on or after January 1, 1984, while CSRS employees are employees hired before January 1, 1984, who have not elected to convert to FERS. Each group has different rules that govern contributions. As of December 31, 2014, there were approximately 4.7 million participants in the Plan, with approximately 2.9 million contributing their own money. As of December 31, 2013, there were approximately 4.6 million participants in the Plan, with approximately 2.9 million contributing their own money.

Contributions—The Plan is a defined contribution plan and, as such, the law specifies how much an employee may contribute and how much the employing agency must contribute to each FERS employee's account. No participant under age 50 could contribute more than the Internal Revenue Service (IRS) elective deferral limit of $17,500 in 2014 and 2013.[1] Participants age 50 and older who are already contributing the maximum amount of contributions for which they are eligible may make supplemental tax-deferred catch-up contributions (up to $5,500 in 2014 and 2013) from their basic pay. FERS participants are entitled to receive agency matching contributions on the first 5 percent of basic pay that they contribute each pay period, according to a formula prescribed by FERSA (5 United States Code (U.S.C.) § 8432(c)). For FERS employees, their employing agencies also contribute an agency automatic contribution equal to 1 percent of each employee's basic pay each pay period, as prescribed by FERSA (5 U.S.C. § 8432 (c)). Uniformed services members may also contribute up to 100% of designated special pay, incentive pay, and bonuses. The Federal Government or uniformed services does not match amounts contributed by CSRS employees or uniformed services members.[2] Civilian Federal Agencies are required to automatically enroll newly hired (and

[1] Members of the uniformed services who are serving in a combat zone earn tax-exempt pay. Contributions from tax-exempt pay do not count towards this elective deferral limit.

[2] The Army ran a small test matching program for soldiers who agreed to enlist for five years or more. This program is no longer open to new soldiers. However, soldiers who took part in the test program and who are still serving their initial term of enlistment continue to receive matching contributions.

rehired) eligible employees unless the employee makes an affirmative election not to participate in the Plan or to participate at other than the default rate of three percent.

Participants may also transfer funds from traditional individual retirement accounts (IRAs) or other eligible employer plans into the Plan. The Plan also allows for qualified Roth contributions and transfers from qualified Roth 401K plans.

Investments—Pursuant to FERSA (5 U.S.C. § 8438), Plan participants are offered five investment funds: the Government Securities Investment Fund (G Fund), the Fixed Income Index Investment Fund (F Fund), the Common Stock Index Investment Fund (C Fund), the Small Capitalization Stock Index Investment Fund (S Fund), and the International Stock Index Investment Fund (I Fund).

The Agency contracted with BlackRock Institutional Trust Company, N.A. (BlackRock) for investment in the collective investment trusts in which the C, F, S, and I Funds were invested until June 2011, March 2013, September 2014, and November 2013 respectively. In June 2011, the Executive Director approved the use of the G Fund as an investment vehicle for the securities lending collateral. To facilitate this, in August 2011, March 2013, September 2014 and November 2013, respectively, the C, F, S, and I Funds were moved from commingled funds to separate accounts. The Agency has contracted with BlackRock to act as investment manager and securities lending agent for the C, F, S, and I Fund accounts.

The TSP Lifecycle Funds are asset allocation portfolios that were designed for the TSP by Mercer Investment Consulting, Inc. (Mercer) using the Plan's existing investment funds and targeting the mix to a time horizon when the participant intends to withdraw the funds. As described in the TSP L Funds Information Sheet on the TSP website (www.tsp.gov), the L2020 Fund, the L2030 Fund and the L2040 Fund are designed for participants who will withdraw their accounts five years before or after the year in the title of the account. The L Income Fund was designed to produce current income for the participants who are already receiving money from their accounts through monthly payments. The L2050 Fund is designed for participants who will withdraw their accounts in 2045 or later. The asset allocations are based on Mercer's economic assumptions regarding future investment returns, inflation, economic growth, and interest rates. These asset allocations are adjusted quarterly, moving to a more conservative mix over time. Between quarterly adjustments, the asset allocations of each fund are maintained through daily rebalancing to that fund's target allocation. The Agency, with the help of Mercer, reviews the assumptions underlying the asset allocations at least annually.

Participants may allocate any portion of their contributions among the five individual investment funds and the five TSP Lifecycle Funds. Also, participants may reallocate their account balance among the individual investment funds and the TSP Lifecycle Funds through the interfund transfer process. The Agency restricts the number of interfund transfers a participant can make per month in order to curb frequent trading and its associated costs to all TSP participants. The first two interfund transfers per calendar month are unrestricted. After that, participants may move money only from the F, C, S, and I Funds and the TSP Lifecycle Funds to the G Fund.

Vesting—Plan participants are immediately vested in all of their own contributions and attributable earnings. Participants are also immediately vested in any agency matching contributions and attributable earnings. In order to be vested in the agency automatic (1%) contributions, a FERS employee must have either 2 or 3 years of service as described in section 8432(g) of FERSA. FERS employees who are not vested and who separate from the Federal Government forfeit all agency automatic contributions and attributable earnings.

Forfeitures—Forfeited funds, consisting primarily of statutory forfeitures (pursuant to 5 U.S.C. §8432(g)) and agency contributions forfeited due to retirement coverage corrections made under the Federal Erroneous Retirement Coverage Correction Act (FERCCA), totaled $36,290,097 as of December 31, 2014, and $45,209,761 as of December 31, 2013. Under FERCCA, when a participant's retirement coverage is corrected from FERS to CSRS, any excess agency contributions are forfeited to the Plan. All forfeitures are used by the Plan daily to offset accrued administrative expenses. If the forfeited funds (along with participant loan fees) are not sufficient to meet all administrative expenses, earnings on investments are then charged.

Individual Accounts**—**An individual account is maintained for each Plan participant. As applicable, each participant's account is credited with the participant's contributions, agency automatic and matching contributions, and loan repayments and charged with loans and withdrawals. The value of the participant's account reflects the number of shares and the daily share prices of the funds in which the participant is invested. Administrative expenses are a component of the share price calculation. The benefit to which a participant is entitled is the amount of the participant's vested account balance.

Notes Receivable From Participants (Loans)**—**Participants may apply for loans from their accounts. There are two types of Plan loans: general purpose and residential. General purpose loans can be obtained for any purpose, with a repayment period from 1 to 5 years. Residential loans can be obtained for the purpose of purchasing a primary residence, with a repayment period from 1 to 15 years. Participant loans may only be taken from participant contributions and attributable earnings. The minimum loan amount is $1,000 and the maximum loan amount is $50,000. A $50 fee is deducted from the proceeds of the loan. In 2014, loan fees of $13,384,050 were used to offset administrative expenses. In 2013, loan fees of $14,773,750 were used to offset administrative expenses.

The interest rate for loans is the G Fund rate at the time the loan agreement is issued. The rate is fixed at this level for the life of each loan. Participant loans are valued at their unpaid balances. Interest earned on loans is allocated to the participant account as loan payments are made to that account.

By IRS regulation, the Agency must identify each calendar quarter any participant loan that is in default. The participant then has until the end of the following calendar quarter to pay the overdue amount. If not paid, a taxable distribution of the unpaid loan balance, plus accrued interest, will be declared. Taxable loan distributions also occur when a participant separates from service and does not repay an outstanding loan balance. Participants should refer to the booklet, *TSP Loans*, for more information.

Payment of Benefits**—**After leaving service, participants may elect benefit withdrawals in the form of a partial withdrawal or they may choose a full withdrawal as a single payment, a series of monthly payments, or a life annuity. Participants may choose to combine any two or all three, of the available full withdrawal options. Participants should refer to the booklet, *Withdrawing Your TSP Account After Leaving Federal Service*, for more complete information.

Participants should refer to the booklet, *TSP In-Service Withdrawals*, for information on withdrawal options while employed in Federal service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting**—**The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when incurred. Benefits and participant loans payable for the last three trade dates of each month are recorded when withdrawn from participants' accounts.

Investments**—**All investments are stated at fair value, based upon the quoted market values of the underlying securities at the end of each period. The Agency invests in (or redeems from) the Thrift Savings Fund investment funds each business day. Purchases and sales of securities are recorded on a trade-date basis.

The Plan offers its participants various investment funds that are exposed to different types and amounts of risk, including interest rate, credit, and market risk. The funds (except for the G Fund, which is invested in a way to avoid losses) can be expected to experience greater or lesser volatility over time, depending upon each fund's individual risk profile, thus affecting the fund balances from one period to the next.

During the twelve-month periods ended December 31, 2014 and December 31, 2013, the Plan's investment funds consisted of the following (objectives of the investment funds are described in the various TSP Fund Information Sheets, available on www.tsp.gov):

The G Fund was invested in short-term nonmarketable U.S. Treasury securities specially issued to the Thrift Savings Plan. All investments in the G Fund earned interest at a rate that is equal, by law, to the average of market rates of return on outstanding U.S. Treasury marketable securities with 4 or more years to maturity.

The F Fund was invested primarily in a separate account that is passively managed and tracks the Barclays Capital U.S. Aggregate Bond Index. Before March 2013, the F Fund was invested primarily in the BlackRock U.S. Debt Index Fund “E”.

As of December 31, 2014, the separate account contained approximately 28 percent mortgage-backed securities (28 percent securities issued by the Government National Mortgage Association (GNMA or Ginnie Mae), Federal National Mortgage Association (FNMA or Fannie Mae), and Federal Home Loan Mortgage Association (FHLMC or Freddie Mac), 2 percent commercial mortgage-backed securities and 1 percent hybrid ARMs); 28 percent investment-grade corporate securities (U.S. and sovereign); 36 percent Treasury securities; 3 percent Agency securities; and 2 percent asset-backed securities and taxable municipals.

As of December 31, 2014, the separate account held 6,343 securities totaling $24.0 billion, with a weighted-average life of 5.1 years. As of December 31, 2013, the separate account held $23.6 billion of securities.

The C Fund is invested primarily in a separate account that is passively managed and tracks the S&P 500 Index. The C Fund separate account holds stocks of all the companies represented in the S&P 500 Index in virtually the same weights as they are represented in the S&P 500 Index. As of December 31, 2014, the separate account held $140.7 billion of securities. As of December 31, 2013, the separate account held $120.8 billion of securities.

The S Fund was invested primarily in a separate account that is passively managed and tracks the Dow Jones U.S. Completion Total Stock Market Index by holding most of the stocks with larger capitalizations in virtually the same weights as they are represented in the index and by holding a representative sample of the remaining stocks in the index. As of December 31, 2014, the separate account held $50.6 billion of securities.

Before September 2014, the S Fund was invested primarily in the BlackRock Extended Equity Market Index Fund “E,” which in turn held shares of the Extended Equity Market Master Fund. Both the BlackRock Extended Market Index Fund “E” and the Master Fund are passively managed commingled funds. As of December 31, 2013, the S Fund constituted $46.6 billion of the BlackRock Extended Equity Market Index Fund “E”.

The I Fund was invested primarily in a separate account that is passively managed and tracks the MSCI EAFE Index. As of December 31, 2014, the separate account held $33.1 billion of securities. As of December 31, 2013, the I Fund holdings constituted $33.3 billion of securities. Before November 2013, the I Fund was invested primarily in the BlackRock EAFE Equity Index Fund “E”.

Fair Market Valuations—The Plan follows the FASB’s ASC 820-10, which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, FASB ASC 820-10 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques.

Under FASB ASC 820-10, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels: Level I, Level II, and Level III. Inputs may be based on independent market data (“observable inputs”) or they may be internally developed (“unobservable inputs”). The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level I) and the lowest priority to unobservable inputs (Level III). BlackRock has worked with pricing vendors to confirm its understanding of their pricing methodologies and has consulted with BlackRock’s independent auditors, PricewaterhouseCoopers LLP, to perform necessary analysis to support BlackRock’s approach to comply with FASB ASC 820-10.

Pursuant to BlackRock's global pricing policy, to the extent possible, securities and other assets held by Funds are valued using independent market quotations. An "independent market quotation" for a security or other asset is defined as a quoted price in an active market for an identical security or asset (a "Level I Price").

As a general principle, the current "fair market value" of a security or other asset is the amount that a Fund might reasonably expect to: (i) receive upon the sale of the security or asset; or (ii) pay to transfer the liability associated with the security or asset in an orderly transaction between market participants on the date on which the security or asset is being valued. In the event that a Level I Price is not readily available for a given type of security or asset, the fair value of the security or other asset is determined by using pricing inputs that are either directly or indirectly observable on the valuation date for the security or asset, which may include the use of models or other valuation methodologies (a "Level II Price").

Level I Prices and Level II Prices are provided by broker dealers or by pricing providers, services, and vendors (together, "pricing sources") approved by the BlackRock Global Pricing Committee or its delegates. The pricing sources approved by the BlackRock Global Pricing Committee vary according to security or asset type and include, but are not limited to, Reuters, Bloomberg, IDC, and Mark-it Partners.

The net asset value of a Fund is calculated based on the compilation of primarily observable market information. The number of units of the Fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the Fund. Accordingly, pursuant to FASB ASC 820-10, the unit values for all separate accounts are classified as Level II Prices.

The table at Appendix 1 sets forth by level, within the fair value hierarchy, the Plan's assets at fair value for the years ended December 31, 2014 and December 31, 2013.

The F Fund, C Fund, S Fund, and I Fund include temporary investments in the same U.S. Treasury securities held by the G Fund pending daily purchase of shares in their respective index funds and to cover liquidity needs, such as loans and withdrawals from the Thrift Savings Fund.

The separate accounts incurred an investment management fee for the separate account program management as follows: the C Fund ($3.9 million and $2.4 million as of December 31, 2014, and December 31, 2013, respectively), the F Fund ($3.9 million and $2.9 million as of December 31, 2014 and December 31, 2013, respectively), the I Fund ($5.8 million and $0.6 million as of December 31, 2014 and December 31, 2013, respectively), and the S Fund ($9.7 million as of December 31, 2014 and $0.0 as of December 31, 2013, respectively).

The separate accounts in which the C, S, and I Funds are invested may invest in futures contracts and other derivatives to the extent contemplated by the fund guidelines. As part of the investment strategies, derivative instruments may be used to provide liquidity for daily investments or to manage currency, interest, and other exposures.

The F, C, S, and I Funds also participate in securities lending activities, under agreements between BlackRock and third parties to lend debt and equity securities in exchange for collateral. The collateral received, which is required to equal 102% of the value of the domestic securities lent and 105% of the value of international securities, is marked to market each day, and may be invested in cash collateral funds managed by BlackRock, which in turn invest in money market securities and instruments. (As stated in Appendix 3, a portion of the cash collateral for securities lending by the C Fund ($6.6 billion and $5.4 billion as of December 31, 2014 and December 31, 2013, respectively), the F Fund ($5.1 billion and $6.5 as of December 31, 2014 and December 31, 2013), the I Fund ($0.6 billion and $0.3 billion as of December 31, 2014 and December 31, 2013), and the S Fund ($9 billion and $0.0 as of December 31, 2014 and December 31, 2013 respectively), is invested in the G Fund and is shown as on the Statement of Net Assets as "investments", and the corresponding cash collateral payable.

The major source of risk in any securities lending program is that the securities and instruments in which the cash collateral received (against security loans) is invested may decline in value. BlackRock's responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examiner Council regulations regarding securities lending.

The tables at Appendix 2 show how the participants' account balances in the various investment options are allocated among the core TSP Funds as of and for the years ended December 31, 2014, and December 31, 2013 respectively.

Securities Lending Income— Securities lending income, as disclosed in the statement of operations, represents the income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the securities lending agent. During the term of the loan, the Fund earns dividend or interest income on the securities loaned but does not receive interest income on any securities received as collateral. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Fund could experience delays and costs in gaining access to the collateral. The Fund also could suffer a loss if the value of an investment purchased with cash collateral falls below the market value of loaned securities or if the value of an investment purchased with cash collateral falls below the value of the original cash collateral received.

Cash collateral received by a lending fund may be invested in a series of short term investment funds managed by BTC (collectively, the "Cash Collateral Funds"). Eligible securities investments for the Cash Collateral Funds may include corporate debt obligations; asset-backed securities; mortgage backed securities; debt instruments issued by banks; supranational and sovereign debt obligations; promissory notes; loan participations; insurance company funding agreements; or derivative instruments used to create synthetic interest rate, credit and liquidity exposure. The Funds' investments in the Cash Collateral Funds are included in investments on the statements of net assets available for benefits. The obligation to the borrowers of the securities for the return of the cash collateral appears as a liability on the statements of net assets available for benefits and is equal to the value of the cash collateral provided. The Securities Lending Table, shown in Appendix 3, is a summary of the value of the securities on loan and the respective total collateral held by each Fund at December 31, 2014, and December 31, 2013. The differences, if any, between the collateral value listed in the schedule and the Funds' investments in the Cash Collateral Funds included as an investment on the statements of net assets available for benefits represents collateral held in the form of U.S. Government obligations.

The securities lending income earned by a Fund consists of borrower fees (negotiated fees paid by the borrower if it posts U.S. government obligations or letters of credit as collateral) and/or earnings from investment of cash collateral posted by borrowers. The return on Cash Collateral Funds is net of a cash management fee, accrued daily, and based upon the net assets of the Cash Collateral Funds. A portion of the return from investment of cash collateral may be paid to the borrowers of the securities as a negotiated rebate of interest earned on the cash collateral. BTC bears all operational costs with respect to securities lending transactions. Collateral reinvestment risk is retained by the Fund. Securities lending transactions are entered into by the Funds under Master Securities Lending Agreements ("MSLA") which provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party. In the event that a borrower defaults, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an MSLA counterparty's bankruptcy or insolvency. Under the MSLA, the Funds can resell or re-pledge the collateral and the borrower can resell or re-pledge the loaned securities.

***Fixed Assets*—**All fixed assets were recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, which range as follows:

Furniture and Equipment	3 to 10 years
Leasehold Improvements	10 years
Data Processing Software	3 to 10 years

Depreciation expense was approximately $4.0 million and $3.5 million for the years ended December 31, 2014 and December 31, 2013.

***Earnings Allocation*—**Net earnings are used to calculate the daily share price of each investment fund as defined in regulations issued by the Agency (5 Code of Federal Regulations (CFR) Part 1645).

***Contributions Receivable*—**Contributions receivable are estimated as the amount of contributions recorded through the first 2 weeks of the month following the date of the financial statements and represent both participant and employer portions of contributions.

***Estimates*—**The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

***Thrift Savings Plan Enhancement Act of 2009*—**On June 22, 2009, the Thrift Savings Plan Enhancement Act (the Act or P.L. 111-31) was signed into law by President Obama. The Act provides for immediate agency automatic (1%) and matching contributions for FERS employees (implemented in August 2009). The Act also requires civilian Federal agencies to automatically enroll newly hired (and rehired) eligible employees unless the employee makes an affirmative election not to participate in the Fund or elect a deferral rate other than the deferral rate of 3 percent (implemented in August 2010). The Act also allows the Agency to establish accounts for the surviving spouses of TSP participants (implemented December 2010). In addition, the Act also gives the Federal Retirement Thrift Investment Board the authority to establish a qualified Roth contribution program (implemented in May 2012) and the authority to establish a mutual fund window.

Smart Saving Act of 2014—On December 18, 2014, the Smart Savings Act (the Act or P.L.113-225) was signed into law by President Obama. The Act requires the TSP to invest the contributions of automatically enrolled civilian employees in an “age-appropriate target date asset allocation investment fund” no later than nine months after enactment.

***Reclassification* –** Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation. These reclassifications do not affect net assets available for benefits as previously reported.

3. INCOME TAX STATUS

FERSA (5 U.S.C. § 8440(a)(1)) states that the Thrift Savings Fund shall be treated as a trust described in section 401(a) of the Internal Revenue Code (I.R.C. or Code), which is exempt from taxation under section 501(a) of the Code. This status was reaffirmed in the Tax Reform Act of 1986, Section 1147 (codified at I.R.C. § 7701(j)). It is not necessary for the Plan to apply for a tax status determination letter as it is qualified by statute.

4. COMMITMENTS AND CONTINGENCIES

Effective January 31, 2014, the Agency ended two of its support services contracts with Serco Systems, Inc. (Serco) that handled TSP software maintenance and development, systems operations, data center operations, and recordkeeping. Effective February 1st, 2014, the Agency transitioned to a contract with Science Applications International Corporation (SAIC) to provide a broad range of IT and IT-related recordkeeping support services, including Program management and Cross Functional Services, Infrastructure and

Operations (data center, data network, service desk, voice network, end user services), Applications Services, and Recordkeeping. The annual cost of all recordkeeping services and support is approximately $85 million for CY 2014.

The Agency continues to maintain contracts with Serco to provide a call center in Virginia and with The Active Network, Inc. to provide a call center in Maryland. The term of the Serco call center contract is one year with an one-year option. The term of The Active Network contract is three years with three one-year options renewable at the Agency's discretion. The Serco call center contract value for CY 2014 is approximately $8.9 million. The Active Network contract value for CY 2014 is approximately $5.2 million.

The Agency leases the office space it occupies in Washington, DC, the call center space in Virginia, and the Agency's business continuity space in northern Virginia, under operating leases. The current Washington, DC operating lease ends September 2026. Monthly base rental payments under the current lease range from approximately $361,000 to $488,000.

The Agency subleases office space in the same building it occupies in Washington, D.C. The current sublease ends in March 2023. Monthly base rental payments under current sublease range from $39,568 to $49,970.

The call center operating lease ends in August 2015, with an option to extend for a five-year period. Monthly base rental payments are $12,548. The business continuity space is an annual obligation and monthly rental payments are $7,075.

Future minimum lease commitments (through CY 2026) under the operating leases are:

Calendar Year	Amount
2015	$5,376,129
2016	4,951,411
2017	5,144,450
2018	5,273,124
Thereafter	45,088,644
Total	$65,833,759

Rent expense is recorded on a straight-line basis over the lease terms. Rent expense under the leases was approximately $5.6 million and $3.7 million for the years ended December 31, 2014 and December 31, 2013, respectively.

5. FIDUCIARY INSURANCE

FERSA (5 U.S.C. § 8479(b)(1)) provides that the Executive Director may assess Federal agencies for the purpose of buying fiduciary insurance. The Agency's Executive Director exercised this authority in 1987 and required agencies to submit an amount equal to 1 percent of their agency automatic contributions. Such sums were collected during 1987 and 1988 and are invested to the extent not currently required to purchase fiduciary insurance. In February 1988, the Executive Director instructed agencies to discontinue the 1 percent fiduciary insurance contributions. The balance of funds available for the purchase of fiduciary insurance for the years ended December 31, 2014 and December 31, 2013 was $3,702,000 and $3,997,000, respectively. These funds are invested in the same securities held by the G Fund and are included in total investments on the accompanying statements of net assets available for benefits, with a corresponding reduction in the net assets available for benefits. By statute, such amounts cannot be allocated to participants' accounts. The Agency has determined that the current insurance reserve is adequate to fund coverage needs for the foreseeable future.

6. SUBSEQUENT EVENTS

Agency management evaluated subsequent events through April 3, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to April 3, 2015, that provided additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the twelve-month period ending December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the twelve-month period ended December 31, 2014

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Appendix 1

Fair Value Measurements as of December 31, 2014
(in thousands)

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Government Securities Investment Fund	$191,268,871	$ -	$ -	$191,268,871
TSP F Fund – U.S. Debt Index Fund	-	18,971,924	-	18,971,924
TSP C Fund - Equity Index Account	-	134,082,024	-	134,082,024
TSP I Fund- EAFE Equity Index Fund	-	32,467,810	-	32,467,810
TSP S Fund- Extended Equity Index Fund	-	41,605,588	-	41,605,588
TSP F Fund Pledged	-	5,050,000	-	5,050,000
TSP C Fund Pledged	-	6,624,000	-	6,624,000
TSP I Fund Pledged	-	600,000	-	600,000
TSP S Fund Pledged	-	9,000,000	-	9,000,000
Total assets at fair value	$191,268,871	$248,401,346	$ -	$439,670,217

Fair Value Measurements as of December 31, 2013
(in thousands)

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Government Securities Investment Fund	$172,695,083	$ -	$ -	$172,695,083
TSP F Fund – U.S. Debt Index Fund	-	17,183,962	-	17,183,962
TSP C Fund - Equity Index Account	-	115,402,094	-	115,402,094
TSP I Fund- EAFE Equity Index Fund	-	33,025,520	-	33,025,520
BlackRock Extended Equity Market Index Fund	-	46,578,880	-	46,578,880
TSP F Fund Pledged	-	6,450,000	-	6,450,000
TSP C Fund Pledged	-	5,424,000	-	5,424,000
TSP I Fund Pledged	-	300,000	-	300,000
Total assets at fair value	$172,695,083	$224,364,456	$ -	$397,059,539

Appendix 2

Investment Summary by Fund as of December 31, 2014
(in thousands)

Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	$145,375,551	-	-	-	-	$145,375,551
F Fund	-	$20,196,715	-	-	-	20,196,715
C Fund	-	-	$118,514,176	-	-	118,514,176
S Fund	-	-	-	$42,494,258	-	42,494,258
I Fund	-	-	-	-	$20,735,782	20,735,782
L Income	4,969,894	403,514	797,611	199,959	332,864	6,703,842
L 2020	9,922,650	1,187,976	6,189,793	1,872,055	3,446,734	22,619,208
L 2030	6,085,132	1,185,961	7,204,712	2,590,845	4,028,844	21,095,494
L 2040	2,986,707	873,178	6,031,231	2,550,315	3,359,512	15,800,943
L 2050	475,176	176,148	1,912,654	822,978	1,145,794	4,532,750
Differences (*)	21,453,761	(1,568)	55,847	75,178	18,280	21,601,498
Statement of Net Assets	$191,268,871	$24,021,924	$140,706,024	$50,605,588	$33,067,810	$439,670,217

(*) Differences are a result of timing differences, including investment transactions not settled as of December 31, 2014. These differences may not be allocated down to the L Funds until the following business day. The differences in the G, C, F, S and I Funds are largely due to the security lending program for the C, F, S and I Funds.

Investment Summary by Fund as of December 31, 2013
(in thousands)

Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	$141,018,162	-	-	-	-	$141,018,162
F Fund	-	$18,867,598	-	-	-	18,867,598
C Fund	-	-	$101,693,518	-	-	101,693,518
S Fund	-	-	-	$39,609,967	-	39,609,967
I Fund	-	-			$22,728,742	22,728,742
L Income	4,604,315	372,849	749,601	187,430	311,422	6,225,617
L 2020	8,164,083	1,456,308	5,753,801	1,774,129	3,191,741	20,340,062
L 2030	4,444,869	1,448,457	6,176,604	2,260,956	3,434,251	17,765,137
L 2040	1,857,311	1,210,267	5,128,818	2,167,166	2,867,457	13,231,019
L 2050	135,807	270,962	1,317,168	566,132	790,458	3,080,527
Differences (*)	12,470,536	7,521	6,584	13,100	1,449	12,499,190
Statement of Net Assets	$172,695,083	$23,633,962	$120,826,094	$46,578,880	$33,325,520	$397,059,539

(*) Differences are a result of timing differences, including investment transactions not settled as of December 31, 2013. These differences may not be allocated down to the L Funds until the following business day. The differences in the G, C, F and I Funds are largely due to the security lending program for the C, F and I Funds.

Appendix 3

Securities Lending by Fund as of December 31, 2014 (in thousands)				
Fund name	Securities on Loan, at value	Cash collateral received	Non-cash collateral received, at fair value	Net amount
TSP C Fund - Equity Index Account	$6,479,620	$6,624,000	$ -	$ -
TSP I Fund - International Stock Index Investment Fund Account	567,603	600,000	-	-
TSP F Fund - Fixed Income Index Account	4,943,302	5,050,000	-	-
TSP S Fund - Small Cap Index Account	8,763,412	9,000,000	-	-
Total	$20,753,937	$21,274,000	$ -	$ -

Securities Lending by Fund as of December 31, 2013 (in thousands)				
Fund name	Securities on Loan, at value	Cash collateral received	Non-cash collateral received, at fair value	Net amount
TSP C Fund - Equity Index Account	$5,299,014	$5,424,000	$ -	$ -
TSP I Fund - International Stock Index Investment Fund Account	278,263	300,000	-	-
TSP F Fund - Fixed Income Index Account	6,319,739	6,450,000	-	-
Total	$11,897,016	$12,174,000	$ -	$ -

This information is an integral part of the accompanying financial statements.