THRIFT SAVINGS PLAN

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

GREGORY T. LONG
Executive Director

March 7, 2008

TO: EMPLOYEE THRIFT ADVISORY COUNCIL

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: ONGOING ACTIVITIES

I am pleased to report that our efforts thus far to discourage frequent interfund transfers have begun to achieve results. My January 24, 2008, letter explaining our plans to the 3,775 participants with more than 3 IFTs last October, November, and December did generate about a hundred negative letters as well as phone calls. However, it also generated a fair number of supportive messages, and even a few apologies from participants who did not realize that their actions were causing problems.

More importantly, after receiving the letter, frequent IFTs by this group declined significantly. During February 2008, only 549 of these participants exceeded the interim three-per-month rule. During January we executed a total of 260,044 IFTs, with more than 40,000 executed on January 22 alone. The overall number fell to 137,320 in February, and the largest daily number was 11,185 on February 4. Although market volatility certainly played some role in this decline, I believe our focus on this matter also contributed.

During the ETAC prepublication review period for our structural regulation, two ETAC members suggested that additional time would be helpful. We consequently delayed submission of the draft regulation for publication through February 29 to accommodate these concerns.

Attached is a copy of the version we have now submitted to the Federal Register and which we expect will be published the week of March 10. As always, Council members are also welcome to submit views during the public comment period.

Although the regulatory language itself is quite short, I am hopeful that the supplementary information we are publishing will help clarify several misconceptions about the IFT program. For example, some complainants believe that the proposed restrictions will frustrate Congressional intent. However, the TSP legislative history shows that Congress clearly supported passive investing and the law only requires the availability of two IFTs each year. Others claim that the purpose of the daily valued TSP system is to facilitate frequent trading, when the record clearly indicates the opposite. Some complainants continue to assert that their actions do not harm other participants when that is demonstrably untrue. Finally, we provide detailed information confirming that our approach is less restrictive than approaches approved by the Securities and Exchange Commission and used by other funds or plans to curtail excessive fund transfers.

By the end of March I plan to send another letter to each of the 547 participants who persisted in frequent transfers during February. Attached is an advance copy of that letter, which explains to these individuals how they must now request interfund transfers by mail. This interim process will be followed until the draft regulations to be published next week are finalized and implemented, which I anticipate will occur May 1st at the earliest.

Attachments

Civilian version

March XX, 2008

Participant Name
Street
City, State, ZIP Code

RE: Interfund Transfer Restriction Notice

Dear Participant Name:

In my letter of January 24, 2008, I notified you that, as authorized by Federal regulation, the Federal Retirement Thrift Investment Board planned to implement restrictions to limit interfund transfers (IFTs). I explained that while we were finalizing the structural policy changes to the Thrift Savings Plan interfund transfer program, we were contacting participants who had most recently engaged in making multiple interfund transfers, i.e., participants who had made more than three IFTs in October, November, and December 2007, and asking them to voluntarily limit their IFT activity. I noted that if they did not limit their activity to fewer than four IFTs in February 2008, they may be restricted to requesting IFTs by mail.

According to our records, you exceeded the three IFT limit in February. Therefore, effective noon eastern time on March 31, 2008, you will be prohibited from making IFTs electronically, but you may request IFTs by mail until the structural policy restrictions are implemented. This restriction applies regardless of where you want to move your funds, including transfers into the Government Securities Investment (G) Fund.

Note: This restriction does *not* apply to contribution allocation changes. You may continue to use the web site or ThriftLine, or contact a participant service representative to execute a contribution allocation change.

Enclosed are three copies of the Form TSP-50, Investment Allocation, for your use. The mailing address is on the form. You may make copies of the form or contact the TSP at the number below and request additional copies. The Investment Allocation form is not available in the Forms and Publications section of the TSP Web site, however, if you attempt to make an IFT through Account Access, you will receive an error message containing a special link to the Investment Allocation form so you may then download the form.

Investment Allocation forms are processed as they are received at our mail facility and are handled on a first-in, first-out basis. Therefore, requests for expedited handling of a form will not be honored.

The regulation proposing the structural restrictions has been published in the Federal Register for comment. Links to both the interim and the proposed structural regulations can be found at www.frtib.gov and www.tsp.gov ("What's New" or "Information about Interfund Transfer Restrictions.") We do not expect the structural restrictions to be implemented before May 1, 2008.

We regret the need for this action. However, these restrictions are necessary because of the higher transaction costs and reduced investment returns for all participants in the affected TSP Funds and the greater risk of performance deviation from the TSP Funds' benchmark indexes associated with recurrent IFT activity.

If you have any questions regarding this letter, you may contact the TSP at 202-942-1460. Comments about the proposed permanent regulations should be addressed in writing to: Thomas K. Emswiler, General Counsel, Federal Retirement Thrift Investment Board, 1250 H Street, NW, Ste 200, Washington, DC 2005. The Agency's fax number is (202) 942-1676.

Sincerely,

Gregory T. Long
Executive Director

Enclosures