



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

July 3, 2009

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

FROM: GREGORY T. LONG  
EXECUTIVE DIRECTOR

SUBJECT: June 2009 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 June 2009, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

**TRACKING ERROR – BGI Funds**

***June 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	0.54	0.57	-0.03
Large Cap	0.23	0.20	0.03
Small Mid Cap	0.73	0.84	-0.11
International	-1.09	-0.57	-0.52

***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	1.95	1.90	0.05
Large Cap	3.30	3.16	0.14
Small-Mid Cap	7.98	9.51	-1.53
International	6.60	7.95	-1.35

The Barclays Extended Equity Market Fund E underperformed by 153 basis points year to date. The performance difference is primarily related to the sampling technique used by the Fund. The Barclay's EAFE Equity Index Fund E underperformed by 52 basis points in June and underperformed by 135 basis points year to date primarily because of fair valuation adjustments on May 29 and December 31.

**TRADING COSTS**

	<b><u>DOLLAR AMOUNT TRADED</u></b>	<b><u>TRADING COSTS</u></b>	
		<b><u>\$</u></b>	<b><u>Basis Points</u></b>
<b><u>F Fund</u></b>			
June 2009	308,719,167	180,748	3.5
Year-to-Date	2,026,909,503	592,269	2.9
<b><u>C Fund</u></b>			
June 2009	783,791,089	93,803	1.2
Year-to-Date	6,464,911,372	2,132,355	3.3
<b><u>S Fund</u></b>			
June 2009	379,342,815	262,389	6.9
Year-to-Date	2,928,921,191	769,899	2.6
<b><u>I Fund</u></b>			
June 2009	950,826,712	674,708	7.1
Year-to-Date	3,783,469,346	1,725,021	4.6

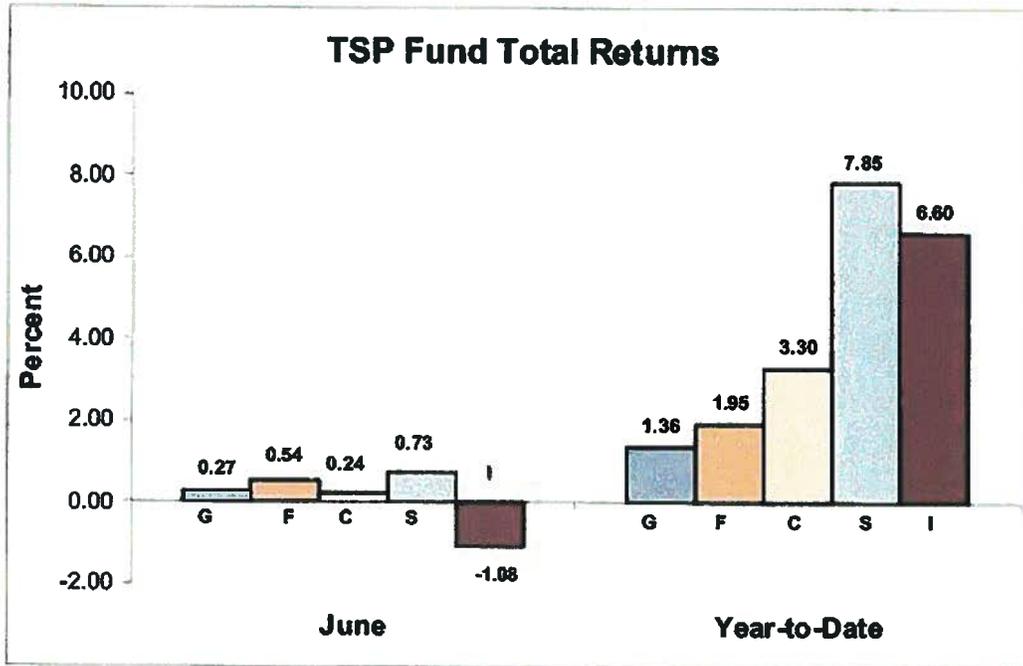
**G FUND**

The following table compares the G Fund rate to be paid in the month noted to the 3 month Treasury bill, the 10 year Treasury note and the 30 year Treasury bond at the time the rate was set.

	<b><u>G Fund</u></b>	<b><u>3-month T-bill</u></b>	<b><u>10 year T-note</u></b>	<b><u>30 year T-bond</u></b>
<b><u>2008</u></b>				
January	4.00%	3.31%	4.03%	4.45%
February	3.50	1.98	3.60	4.32
June	3.38	2.08	3.51	4.40
April	3.38	1.35	3.41	4.29
May	3.75	1.25	3.73	4.47
June	4.00	1.86	4.06	4.72
July	3.87	1.84	3.97	4.53
August	3.87	1.68	3.95	4.57
September	3.75	1.70	3.81	4.42
October	3.63	.73	3.82	4.31
November	3.75	.45	3.96	4.37
December	2.75	.02	2.92	3.44
<b><u>2009</u></b>				
January	2.13	.02	2.21	2.68
February	2.75	.13	2.84	3.60
March	2.88	.27	3.02	3.71
April	2.50	.20	2.67	3.54
May	2.88	.15	3.12	4.03
June	3.25	.14	3.46	4.34
July	3.25	.19	3.54	4.33

**PERFORMANCE OF TSP FUNDS**

The chart below shows the G, F, C, S, and I Fund net rates of return for June 2009 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 BGI funds.

**June 2009**

**Total Return %**

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.54	0.54	0.00	0.57
Large Cap	0.24	0.23	0.01	0.20
Small Cap	0.73	0.73	0.00	0.84
International	-1.08	-1.09	0.01	-0.57

**Year-to-Date**

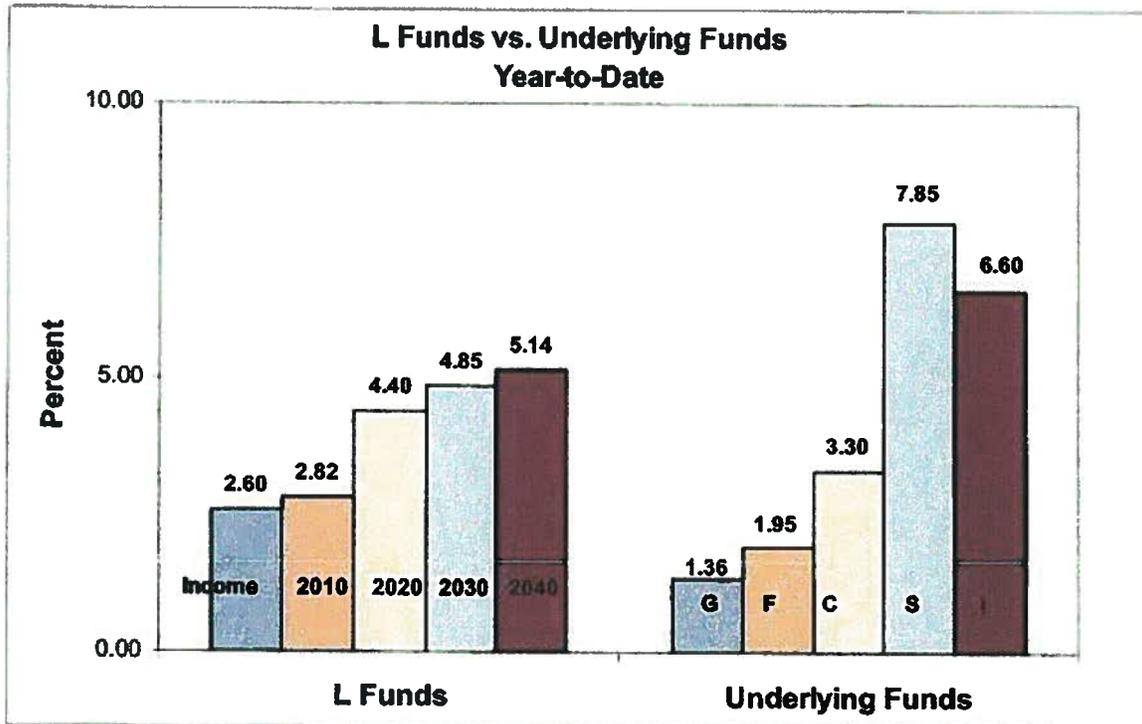
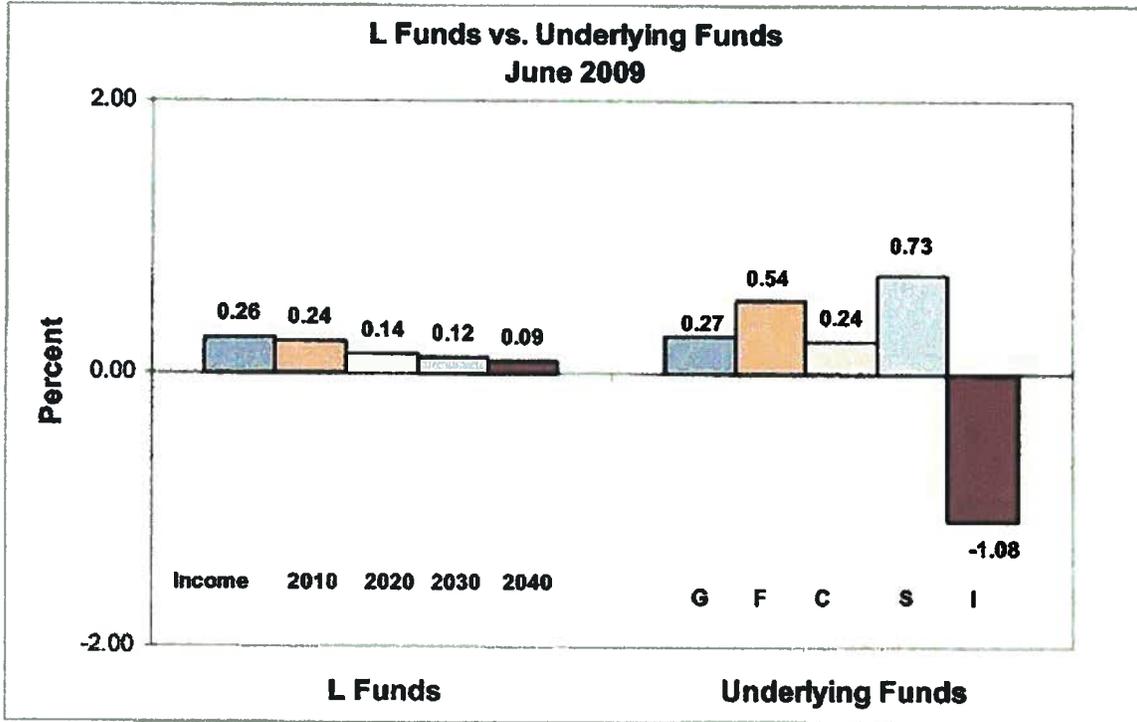
**Total Return %**

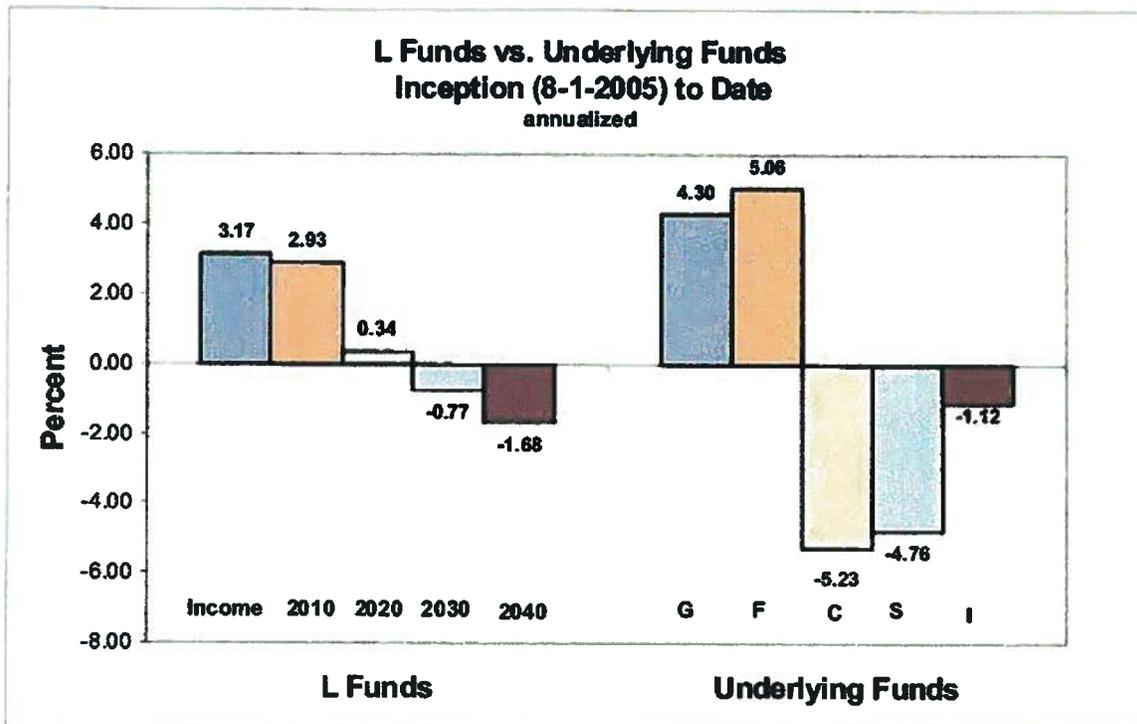
<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	1.95	1.95	0.00	1.90
Large Cap	3.30	3.30	0.00	3.16
Small Cap	7.85	7.98	-0.13	9.51
International	6.60	6.60	0.00	7.95

The TSP Funds closely tracked the BGI 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.





**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**

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

- For the third month in a row, participants transferred money out of fixed income funds and into equity funds. (p. 8)
- The number of participants with L Fund account balances rose to an all time high of 601,850. (p. 9)

**PROXY VOTING**

An audit of BGI's proxy votes voting conducted by RiskMetrics Group found no exceptions to BGI's established guidelines during the first quarter of 2009. A copy of the audit report is provided as Attachment 2. RiskMetrics' audit report for the second quarter of 2009 is not yet available. There were no substantive changes to BGI's proxy voting policy in the first 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 TSE Contributions										Interfund Transfer Activity			
	G Fund (%)	R Fund (%)	C Fund (%)	S Fund (%)	I Fund (%)	L Funds (%)	Total (\$MM)	G Fund (\$MM)	F Fund (\$MM)	C Fund (\$MM)	S Fund (\$MM)	I Fund (\$MM)	L Funds (\$MM)	# of EFTs

12/31/2004	40%	7%	39%	6%	8%	9%	1,560	(397)	(156)	(326)	357	N/A	141,159
12/31/2005	36%	6%	35%	9%	8%	9%	1,560	(366)	(109)	(703)	27	792	140,242
12/31/2006	33%	5%	30%	9%	11%	11%	1,569	(448)	29	(593)	(143)	440	148,123
12/31/2007	33%	4%	27%	9%	13%	14%	1,619	17	(24)	(309)	0	244	133,550

1/31/2008	33%	4%	27%	9%	13%	14%	1,889	4,405	1,332	(1,839)	(1,204)	(2,295)	260,044
2/29/2008	34%	5%	26%	8%	12%	14%	1,684	810	242	(639)	(202)	(370)	137,320
3/31/2008	35%	5%	26%	8%	12%	14%	1,685	1,876	512	(999)	(417)	(720)	147,306
4/30/2008	36%	5%	25%	8%	12%	14%	1,835	152	67	(388)	(45)	69	108,103
5/31/2008	35%	5%	25%	8%	12%	15%	1,980	(465)	(403)	(36)	187	436	84,209
6/30/2008	35%	5%	25%	8%	12%	15%	1,748	1,127	(156)	(345)	(39)	(452)	93,523
7/31/2008	36%	5%	25%	8%	11%	15%	1,940	2,401	28	(826)	(359)	(831)	117,084
8/31/2008	37%	5%	24%	8%	11%	15%	1,689	383	(71)	(49)	119	(423)	67,910
9/30/2008	38%	5%	24%	8%	11%	14%	1,672	3,466	(7)	(1,073)	(483)	(1,158)	166,033
10/31/2008	42%	5%	23%	7%	9%	14%	2,123	4,291	(962)	(977)	(444)	(865)	267,859
11/30/2008	42%	5%	23%	7%	9%	14%	1,591	937	(289)	(222)	(51)	(120)	112,126
12/31/2008	43%	4%	23%	7%	9%	13%	1,936	308	56	(180)	(14)	(62)	76,194

1/31/2009	43%	5%	22%	7%	9%	13%	1,706	(155)	200	(71)	58	50	95,683
2/28/2009	44%	5%	22%	7%	9%	13%	1,749	2,011	(104)	(819)	(204)	(366)	121,203
3/31/2009	47%	5%	21%	6%	8%	13%	1,757	1,449	(238)	(565)	(110)	(218)	160,299
4/30/2009	47%	5%	21%	6%	8%	13%	2,091	(602)	(62)	143	185	148	92,651
5/31/2009	46%	5%	21%	7%	8%	13%	1,837	(1,507)	(80)	320	394	567	95,675
6/30/2009	45%	5%	22%	7%	8%	13%	2,097	(948)	(36)	74	143	533	90,730

**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 (\$M)	2010 (\$M)	2020 (\$M)	2030 (\$M)	2040 (\$M)	Total (\$M)	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
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
4/30/2008	1,265	5,209	8,759	5,082	3,528	23,843	47,921	109,199	179,963	176,181	205,487	586,284
5/31/2008	1,285	5,322	9,045	5,294	3,715	24,661	48,740	110,531	182,790	179,242	209,726	594,265
6/30/2008	1,253	5,144	8,603	5,038	3,506	23,544	49,196	110,471	182,826	180,282	210,864	595,863
7/31/2008	1,213	5,025	8,462	5,020	3,465	23,185	49,233	109,347	182,062	180,885	211,567	596,002
8/31/2008	1,207	5,039	8,574	5,113	3,535	23,468	49,630	109,774	183,625	182,679	213,977	600,227
9/30/2008	1,153	4,698	7,821	4,687	3,205	21,564	49,411	106,961	179,661	180,726	211,784	591,817
10/31/2008	1,010	4,093	6,672	4,017	2,690	18,482	47,848	102,385	173,631	177,783	208,447	582,738
11/30/2008	966	3,951	6,376	3,848	2,570	17,711	47,850	102,551	173,631	178,231	209,233	582,213
12/31/2008	968	4,001	6,593	4,031	2,725	18,318	48,139	103,507	174,922	179,855	211,196	584,468
1/31/2009	936	3,874	6,257	3,817	2,571	17,455	48,283	103,812	175,057	180,440	212,115	585,781
2/28/2009	882	3,606	5,731	3,529	2,365	16,113	48,249	102,518	172,157	179,328	210,798	580,588
3/31/2009	884	3,580	5,959	3,777	2,571	16,771	48,493	102,097	171,406	180,065	211,682	581,045
4/30/2009	913	3,741	6,526	4,207	2,912	18,299	49,177	104,066	174,862	183,280	215,109	588,039
5/31/2009	953	3,905	7,022	4,564	3,200	19,644	50,011	105,967	177,921	186,083	218,449	595,315
6/30/2009	976	3,959	7,207	4,691	3,311	20,144	50,498	107,099	180,519	188,490	221,364	601,850

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
Allocation of Account Balances

Month end	Number of TSP Participants with Entire Account Balances Invested in One Lifecycle Fund				Allocation of Account Balances (CAF/CS/SL Fund)				
	FERS		CSRS		FERS		CSRS		Uniformed Services (%) (G/F/C/S/R/L)
	#	%	#	%	(G/F/C/S/L/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%	35/6/39/8/7/5	14,404	40/6/38/6/6/4	44/5/21/15/10/5	
12/31/2006	94,323	4%	25,860	4%	32/5/36/8/10/9	30,921	38/5/35/6/8/8	38/4/20/14/13/11	
12/31/2007	116,157	5%	28,753	5%	32/5/33/7/12/11	40,046	39/5/32/6/9/9	36/4/18/13/15/14	
1/31/2008	115,790	5%	28,066	5%	35/6/31/7/10/11	40,607	42/6/30/5/8/9	37/4/18/13/14/14	
2/29/2008	117,125	5%	27,878	5%	37/6/30/6/10/11	41,026	43/6/29/5/8/9	38/4/17/13/14/14	
3/31/2008	117,022	5%	27,303	4%	37/6/30/6/10/11	41,626	43/6/29/5/8/9	39/4/17/12/14/14	
4/30/2008	117,927	5%	27,144	4%	37/6/30/6/10/11	41,983	43/6/29/5/8/9	38/4/17/12/14/15	
5/31/2008	118,977	5%	27,189	4%	36/6/30/7/10/11	42,324	43/6/29/5/8/9	37/4/17/13/14/15	
6/30/2008	118,990	5%	26,849	4%	38/6/29/6/10/11	42,649	45/6/28/5/7/9	39/4/16/12/14/15	
7/31/2008	117,900	5%	26,107	4%	40/6/28/6/9/11	42,727	46/6/27/5/7/9	40/4/16/12/13/15	
8/31/2008	118,650	5%	25,952	4%	40/6/29/6/8/11	42,892	47/6/27/5/6/9	39/4/16/13/13/15	
9/30/2008	116,373	5%	24,973	4%	43/6/27/6/8/10	42,910	51/6/25/4/5/9	42/4/16/12/11/15	
10/31/2008	110,471	4%	22,635	4%	49/6/24/5/6/10	42,455	57/6/22/3/4/8	47/5/14/10/10/14	
11/30/2008	109,188	4%	21,955	4%	52/6/23/4/5/10	42,311	58/6/21/3/4/8	49/5/14/9/9/14	
12/31/2008	108,130	4%	21,470	4%	50/7/22/5/6/10	42,267	58/6/21/3/4/8	48/5/14/9/10/14	
1/31/2009	107,944	4%	21,032	4%	53/7/22/4/5/9	42,344	60/6/19/3/4/8	50/5/13/9/9/14	
2/28/2009	105,490	4%	19,855	3%	56/7/19/4/5/9	42,133	62/7/18/3/3/7	53/5/12/8/9/13	
3/31/2009	102,689	4%	18,823	3%	55/7/20/4/5/9	41,884	63/6/18/3/3/7	50/5/13/9/9/14	
4/30/2009	103,465	4%	18,839	3%	53/6/22/5/5/9	41,888	60/6/20/3/4/7	48/5/13/10/10/14	
5/31/2009	104,877	4%	18,995	3%	51/6/22/5/6/10	42,056	59/6/20/4/4/7	46/5/13/10/11/15	
6/30/2009	106,146	4%	19,152	3%	50/6/22/5/7/10	42,279	57/6/20/4/5/8	45/5/14/10/11/15	

**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
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
4/30/2008	373	15%	66	11%	147	17%	5 / 19 / 38 / 23 / 15	11 / 42 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38
5/31/2008	379	16%	66	11%	149	17%	4 / 19 / 39 / 23 / 15	10 / 43 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38
6/30/2008	380	15%	66	11%	150	17%	5 / 19 / 38 / 23 / 15	11 / 42 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38
7/31/2008	380	15%	64	11%	151	17%	4 / 19 / 38 / 24 / 15	11 / 42 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38
8/31/2008	383	15%	64	11%	153	17%	4 / 18 / 39 / 24 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 20 / 34 / 38
9/30/2008	377	15%	62	10%	153	17%	5 / 19 / 37 / 24 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 20 / 34 / 38
10/31/2008	372	15%	58	10%	152	17%	5 / 19 / 37 / 24 / 15	11 / 44 / 33 / 7 / 5	2 / 7 / 20 / 34 / 37
11/30/2008	372	15%	57	10%	153	17%	5 / 19 / 37 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37
12/31/2008	373	15%	57	10%	154	17%	5 / 19 / 37 / 24 / 15	11 / 44 / 33 / 7 / 5	2 / 7 / 20 / 34 / 37

1/31/2009	375	15%	56	10%	155	17%	5 / 19 / 37 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37
2/28/2009	371	15%	54	9%	155	17%	5 / 19 / 37 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37
3/31/2009	372	15%	53	9%	155	16%	4 / 19 / 38 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37
4/30/2009	378	15%	54	9%	157	16%	4 / 18 / 37 / 25 / 16	11 / 43 / 33 / 7 / 6	2 / 6 / 19 / 34 / 39
5/31/2009	383	15%	54	9%	158	17%	4 / 17 / 38 / 25 / 16	11 / 42 / 34 / 7 / 6	2 / 6 / 19 / 34 / 39
6/30/2009	388	15%	55	9%	159	17%	4 / 17 / 38 / 25 / 16	11 / 42 / 34 / 7 / 6	2 / 6 / 19 / 34 / 39



**RiskMetrics Group**

2099 Gaither Road  
Rockville, MD 20850

April 20, 2009

Mr. Chad Spiller  
Associate Director  
Corporate Governance & Proxy Voting  
Barclays Global Investors  
400 Howard Street  
San Francisco, CA 94105

Dear Chad,

Enclosed are the results of our review of proxy votes by Barclays Global Investors for the 1st quarter of 2009. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in black ink, appearing to be 'SEF', written in a cursive, stylized font.

Steven E. Friedman  
Chief Legal Officer

sef/awk/encl.

cc: Stephanie Bounds, Pearl Wong, Adrian Kosinda



## RiskMetrics Group

2099 Gaither Road  
Rockville, MD 20850

### MEMORANDUM

The results of our review of BGI's 1<sup>st</sup> quarter proxy voting are as follows:

- Votes at 43 meetings were examined.
- Votes at 19 of the 43 meetings were for directors and/or auditor only.
- At the remaining 24 meetings, there were 41 non-director/auditor proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	10
Non-executive stock option plan	1
Employee share purchase plan	2
Stock option exchange program	1
Increase in common stock	2
Authorize new class of preferred stock	3
Issue convertible preferred stock	1
Amend terms of preferred stock	1
Private placement	1
Issue warrants/debentures	1
Issue convertible debentures	1
Merger and/or reorganization	2
Adjourn meeting	5
Conversion of securities	2
Sale of shares below net asset value	1
Adopt shareholder rights plan	1
Fix number of directors	1
Other business	4
Shareholder proposal	1
<b>Total:</b>	<b>41</b>

- There were 10 votes cast on executive stock option plans:
  - a) 8 votes were cast in favor of the plans (80 percent)
  - b) 2 votes were cast against the plans (20 percent)
    - i) 1 plan was opposed due to a provision that permits repricing without shareholder approval.
    - ii) 1 plan was opposed to due the presence of an evergreen provision.
  
- There were 2 votes cast on proposals to increase authorized common stock; the votes were cast in favor of the increases.
  
- There were 2 vote cast on mergers or major corporate transactions; the votes were cast in favor of the transactions.
  
- There was 1 vote cast on a shareholder proposal to declassify the board; the vote was cast in favor of the proposal.

There were no exceptions to policy this period.