



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

June 8, 2007

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: TRACEY RAY 
CHIEF INVESTMENT OFFICER

SUBJECT: May 2007 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 May 2007: investment manager performance and tracking error, trading costs, TSP Fund performance, and L Fund participation.

TRACKING ERROR - BGI Funds

May Tracking Error

<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	-0.75	-0.76	0.01
Large Cap	3.49	3.49	0.00
Small-Mid Cap	4.41	4.30	0.11
International	2.55	1.75	0.80

Year to Date Tracking Error

<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	1.30	1.28	0.02
Large Cap	8.77	8.77	0.00
Small-Mid Cap	11.26	11.26	0.00
International	10.78	10.61	0.17

The **Barclay's EAFE Equity Index Fund E** outperformed by 80 basis points in May, primarily because of a fair valuation adjustment and outperformed by 17 basis points year to date because of the tax effect.

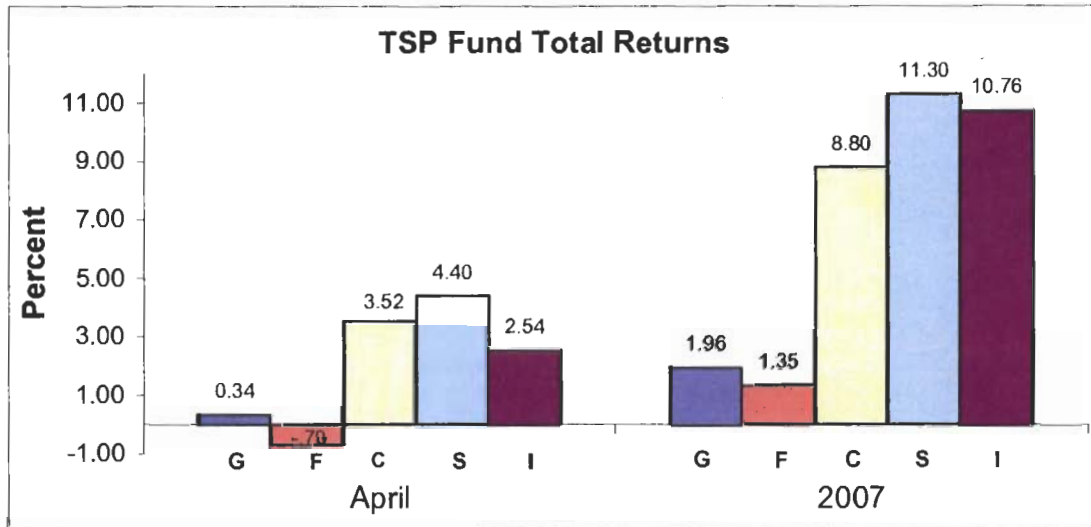
TRADING COSTS

Trading costs for all funds were low in May.

	<u>DOLLAR AMOUNT TRADED</u>	<u>TRADING COSTS</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
May 2007	\$268,962,856	\$-18,118	-0.7
Year-to-Date	1,818,077,330	195,799	1.1
 <u>C Fund</u>			
May 2007	\$802,102,630	\$160,445	2.0
Year-to-Date	4,587,270,452	5,163	0.0
 <u>S Fund</u>			
May 2007	\$369,916,929	\$22,792	0.6
Year-to-Date	3,420,197,709	-187,810	-0.6
 <u>I Fund</u>			
May 2007	\$870,288,916	\$493,758	5.7
Year-to-Date	8,332,550,652	2,751,854	3.3

PERFORMANCE OF TSP FUNDS

The chart below shows the G, F, C, S, and I Fund net rates of return for May 2007 and the 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 and the benchmark indices.

May 2007

Total Return %

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	-0.70	-0.75	.05	-0.76
Large Cap	3.52	3.49	.03	3.49
Small Cap	4.40	4.41	-.01	4.30
International	2.54	2.55	-.01	1.75

Year-to-Date

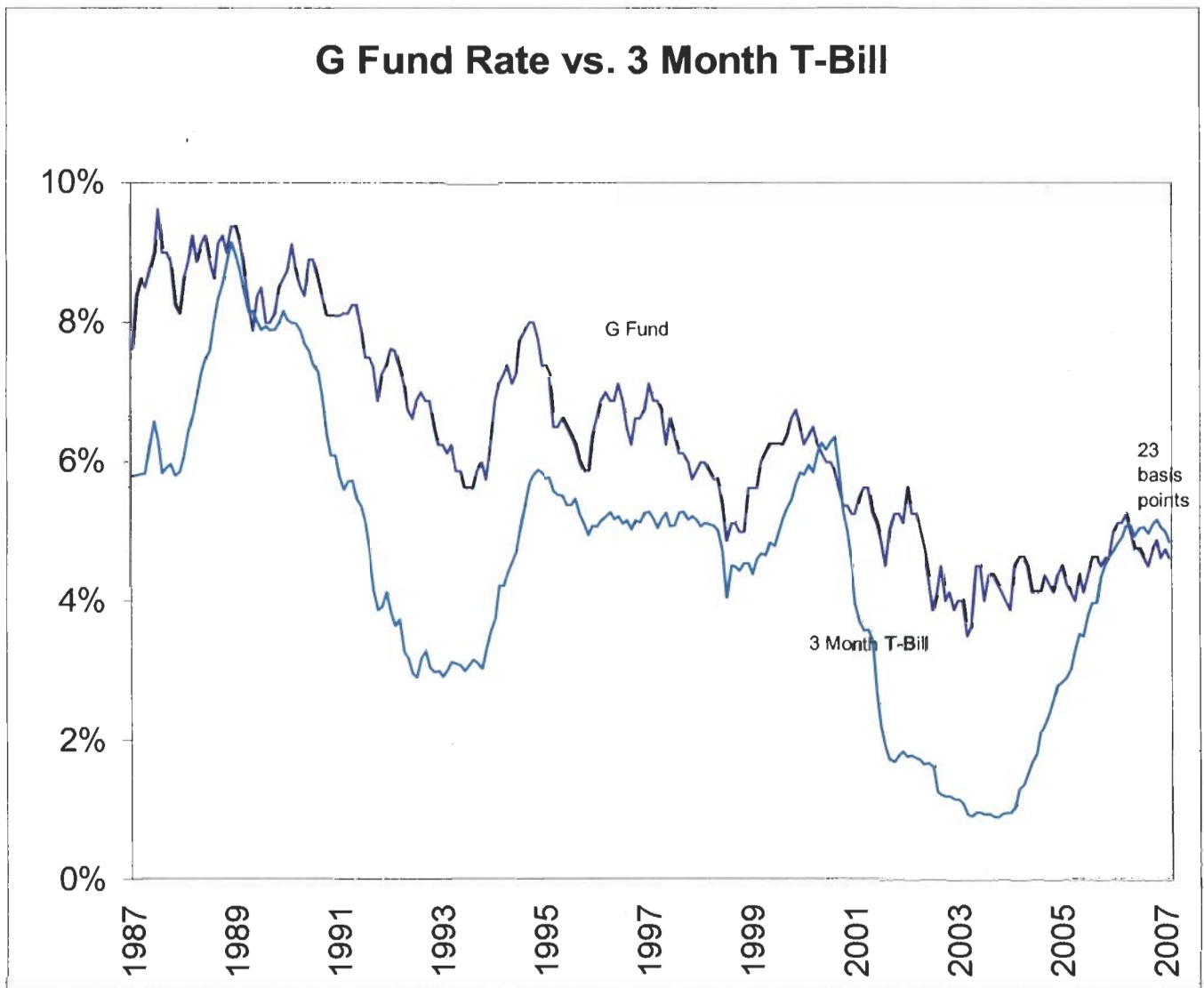
%

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	1.35	1.30	.05	1.28
Large Cap	8.80	8.77	.03	8.77
Small Cap	11.30	11.26	.04	11.26
International	10.76	10.78	-.02	10.61

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

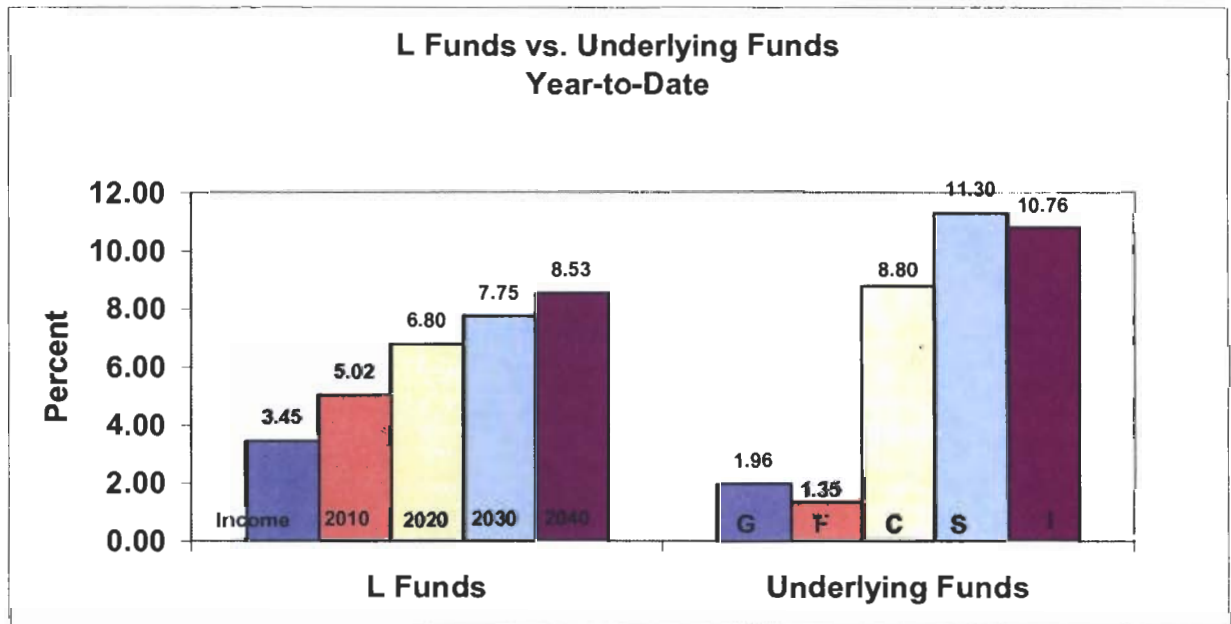
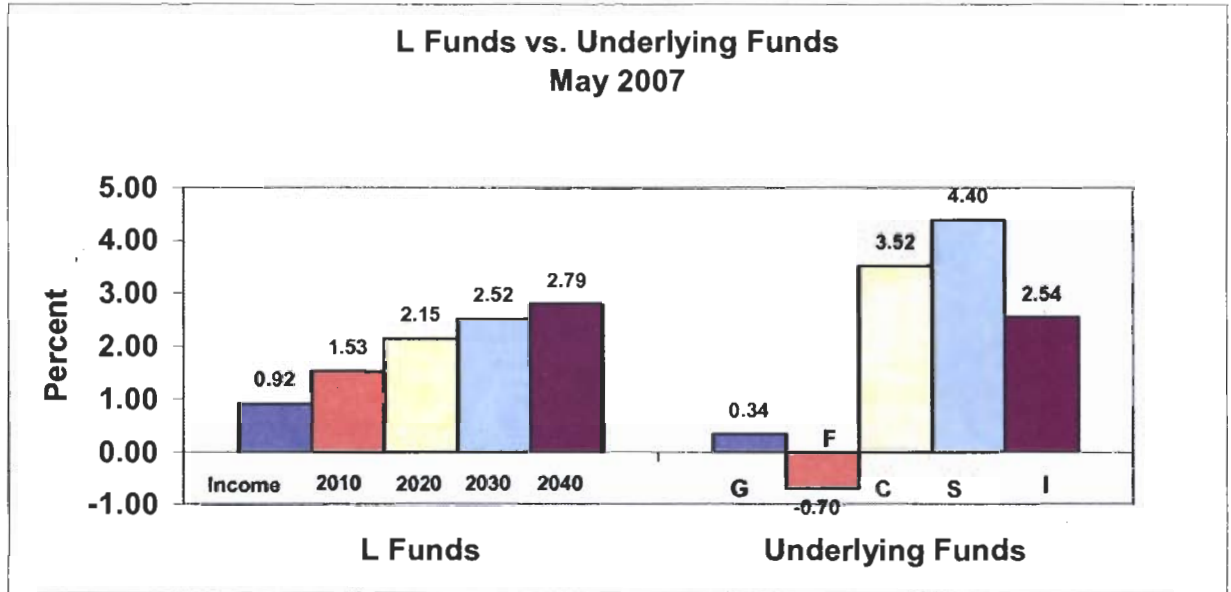
G FUND

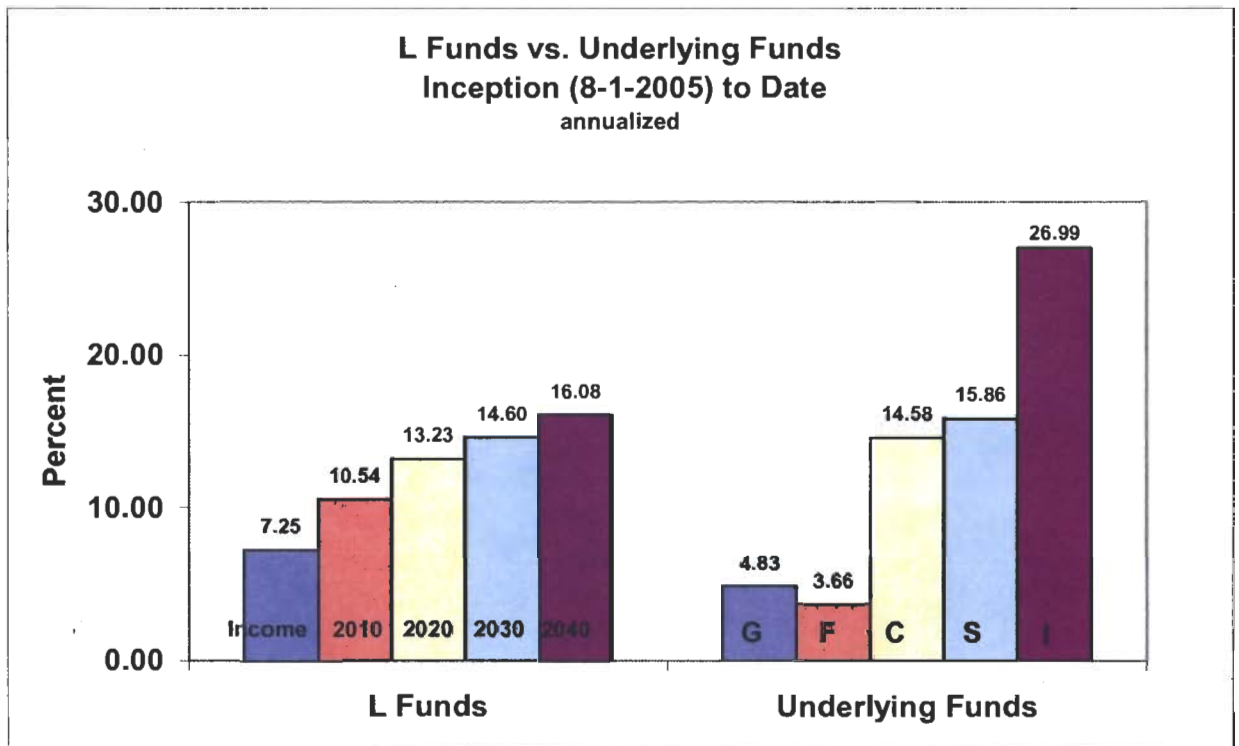
The gross G Fund return was .34% in May. The May 2007 nominal statutory G Fund interest rate (expressed on a per-annum basis) was 4.625%. The spread between the yields on 3 month Treasury Bills and the G Fund narrowed to 23 basis points. The G Fund rate for June increased to 5.00%.



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. For the month of May, the year-to-date, and annualized since inception, all of the L Funds have outperformed the G and F Funds. The Income Fund has outperformed the G Fund by 242 basis points on an annual basis.





THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

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

- 5% of FERS and uniformed services participants have their entire account balance invested in one L Fund, versus 4% for CSRS. (p.7)
- Interfund transfer activity returned to normal. (p.8)
- 14% of FERS and 16% of uniformed services participants have balances in the L Funds. (p.9)
- The total balance in L Funds rose to \$21 billion with over 500,000 participant accounts. (p.10)

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 (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)
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
1/31/2006	62,518	3%	19,068	3%	16,695	2%	35 / 6 / 38 / 8 / 8 / 5	40 / 5 / 37 / 7 / 6 / 5	43 / 5 / 21 / 15 / 11 / 5
2/28/2006	66,268	3%	20,114	3%	20,030	3%	34 / 6 / 38 / 8 / 8 / 6	39 / 5 / 37 / 7 / 7 / 5	43 / 4 / 20 / 15 / 11 / 7
3/31/2006	69,629	3%	20,823	3%	21,597	3%	35 / 5 / 38 / 8 / 8 / 6	39 / 5 / 36 / 7 / 7 / 6	42 / 4 / 20 / 16 / 11 / 7
4/30/2006	71,672	3%	21,166	3%	22,732	3%	34 / 5 / 37 / 9 / 9 / 6	39 / 5 / 36 / 7 / 8 / 6	41 / 4 / 20 / 15 / 12 / 8
5/31/2006	73,641	3%	21,402	3%	23,775	3%	35 / 5 / 37 / 8 / 9 / 6	40 / 5 / 35 / 7 / 7 / 6	41 / 4 / 20 / 15 / 12 / 8
6/30/2006	75,029	3%	21,527	3%	24,463	3%	36 / 5 / 36 / 8 / 8 / 7	41 / 5 / 35 / 6 / 7 / 6	42 / 4 / 19 / 15 / 12 / 8
7/31/2006	78,148	3%	22,263	3%	25,701	4%	37 / 5 / 36 / 7 / 8 / 7	41 / 5 / 35 / 6 / 7 / 6	42 / 4 / 19 / 14 / 12 / 9
8/31/2006	81,850	4%	23,134	3%	26,805	4%	36 / 5 / 36 / 7 / 9 / 7	41 / 5 / 35 / 6 / 7 / 6	41 / 4 / 20 / 14 / 12 / 9
9/30/2006	85,235	4%	23,951	4%	27,673	4%	35 / 5 / 36 / 7 / 9 / 8	40 / 5 / 35 / 6 / 7 / 7	40 / 4 / 20 / 14 / 12 / 10
10/31/2006	89,502	4%	24,871	4%	29,234	4%	34 / 5 / 36 / 8 / 9 / 8	39 / 5 / 35 / 6 / 8 / 7	39 / 4 / 20 / 14 / 13 / 10
11/30/2006	91,978	4%	25,779	4%	30,115	4%	33 / 5 / 36 / 8 / 10 / 8	39 / 5 / 35 / 6 / 8 / 7	38 / 4 / 20 / 15 / 13 / 10
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

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Contributions and Interfund Transfers

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
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
1/31/2006	599	94	599	167	150	125	1,734	(368)	(158)	(1,223)	(15)	753	1,011	205,166
2/28/2006	524	80	510	149	138	117	1,518	(448)	(174)	(707)	300	467	562	149,164
3/31/2006	533	80	512	156	146	131	1,558	(111)	(113)	(684)	103	375	430	156,071
4/30/2006	515	77	497	155	148	133	1,525	(296)	(87)	(815)	244	676	278	158,329
5/31/2006	571	83	531	167	168	143	1,663	1,096	(108)	(839)	(462)	60	253	247,508
6/30/2006	610	88	561	177	178	162	1,776	1,662	(66)	(653)	(484)	(593)	134	214,778
7/31/2006	549	77	496	156	159	147	1,584	779	(12)	(727)	(290)	(139)	389	177,747
8/31/2006	602	84	551	171	181	173	1,762	(424)	8	(464)	(333)	593	620	166,682
9/30/2006	529	73	470	145	159	156	1,532	(689)	(42)	(152)	14	289	580	151,254
10/31/2006	520	71	468	144	161	162	1,526	(863)	(179)	110	59	191	682	179,818
11/30/2006	607	83	545	165	189	195	1,784	(590)	(34)	(402)	233	317	476	158,028
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

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
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
11/30/2006	263	11%	55	8%	100	14%	5 / 20 / 40 / 22 / 13	11 / 45 / 32 / 6 / 6	2 / 7 / 23 / 35 / 33
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

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 (\$MII)	2010 (\$MII)	2020 (\$MII)	2030 (\$MII)	2040 (\$MII)	Total (\$MII)	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
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
11/30/2006	890	3,944	6,150	3,144	1,966	16,094	33,594	85,297	132,849	119,354	125,483	417,982
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