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October 3, 2008

Mr. Gregory T. Long, Executive Director
and
Mr. James Petrick, Chief Financial Officer
Federal Retirement Thrift Investment Board
1250 H Street, NW
Washington, DC 20005

Dear Sirs:

In connection with our midyear review of the June 30, 2008 financial statements of the Thrift Savings Fund, we are pleased to forward copies of the following:

- Independent Accountants' Report
- Board Presentation Handout

We appreciate all of the efforts of you and your staff in facilitating our efforts during the June 30, 2008 midyear review. We look forward to working with you in the upcoming year, and to meeting with you and the Board on October 20, 2008.

Yours very truly,

Melissa A. R. Krause

Melissa A. R. Krause
Partner, Audit Services

Enclosures

Thrift Savings Fund

Financial Statements as of and for the Six-Month Period Ended June 30, 2008, and for the Year Ended December 31, 2007, and Independent Accountants' Report

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board Members and the Executive Director
Federal Retirement Thrift Investment Board

We have reviewed the accompanying statement of net assets available for benefits of the Thrift Savings Fund (the "Fund") as of June 30, 2008, and the related statement of changes in net assets available for benefits for the six-month period then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Federal Retirement Thrift Investment Board (the "Agency").

A review consists principally of inquiries of Agency personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the 2008 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2007 were audited by us, and we expressed an unqualified opinion on them in our report dated March 31, 2008, but we have not performed any auditing procedures since that date.

September 26, 2008

THRIFT SAVINGS FUND

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF AND FOR THE SIX-MONTHS ENDED JUNE 30, 2008, AND
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands)

	Six-Months Ended June 30, 2008	Year Ended December 31, 2007
ASSETS:		
Investments, at fair value:		
U.S. Government Securities Investment Fund	$ 94,388,694	$ 83,912,831
Barclays U.S. Debt Index Fund	14,803,740	12,863,720
Barclays Equity Index Fund	68,296,179	79,382,090
Barclays Extended Market Index Fund	16,501,659	18,827,536
Barclays EAFE Index Fund	24,243,216	29,551,215
Participant loans	6,451,994	6,268,493
Total investments	224,685,482	230,805,885
Receivables:		
Employer contributions	218,163	220,565
Participant contributions	694,782	702,945
Accrued interest receivable	261,585	-
Total receivables	1,174,530	923,510
Fixed assets:		
Furniture, equipment, and leasehold improvements, net of accumulated depreciation and amortization of $10,642 in 2008 and $14,027 in 2007	8,445	4,794
Data processing software, net of accumulated amortization of $28,107 in 2008 and $26,194 in 2007	20,348	22,260
Total fixed assets	28,793	27,054
Other assets	6,616	3,522
Total assets	225,895,421	231,759,971
LIABILITIES:		
Accounts payable	14,452	15,011
Accrued payroll and benefits	861	772
Benefits and participant loans payable	93,143	79,616
Deferred rent and lease credits	351	345
Due for securities purchased	58,734	57,661
Total liabilities	167,541	153,405
FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	(4,482)	(4,393)
NET ASSETS AVAILABLE FOR BENEFITS	$ 225,723,398	$ 231,602,173

See notes to financial statements and Independent Accountants' Report.

THRIFT SAVINGS FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2008, AND FOR THE YEAR ENDED DECEMBER 31, 2007

(In thousands)

	Six-Months Ended June 30, 2008	Year Ended December 31, 2007
ADDITIONS:		
Investment (loss) income:		
U.S. Government Securities Investment Fund	$ 1,702,236	$ 3,712,079
Net appreciation (depreciation) in fair value of Barclays funds:		
Barclays U.S. Debt Index Fund	152,760	814,114
Barclays Equity Index Fund	(9,415,233)	4,131,733
Barclays Extended Market Index Fund	(1,516,170)	824,469
Barclays EAFE Index Fund	(3,236,617)	2,547,471
Interest income on participant loans	139,257	262,440
Asset manager rebates	30,645	45,521
Less investment expenses	(1,260)	(13,862)
Net investment (loss) income	(12,144,382)	12,323,965
Contributions:		
Participant	8,011,391	15,623,964
Employer	2,793,380	5,276,183
Total contributions	10,804,771	20,900,147
Total additions	(1,339,611)	33,224,112
DEDUCTIONS:		
Benefits paid to participants	4,376,813	7,939,772
Administrative expenses	46,351	78,645
Participant loans declared taxable distributions	115,911	208,031
Total deductions	4,539,075	8,226,448
CHANGE IN FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	(89)	274
Net (decrease) increase	(5,878,775)	24,997,938
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of period	231,602,173	206,604,235
End of period	$ 225,723,398	$ 231,602,173

See notes to financial statements and Independent Accountants' Report.

THRIFT SAVINGS FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2008, AND
FOR THE YEAR ENDED DECEMBER 31, 2007

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. 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 of FERS, the Civil Service Retirement System (CSRS), or 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 contribution rates. As of June 30, 2008, there were approximately 3.9 million participants in the Plan, with approximately 2.7 million contributing their own money. As of December 31, 2007, there were approximately 3.9 million participants in the Plan, with approximately 2.6 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 may contribute more than the Internal Revenue Service (IRS) elective deferral limit of $15,500 for 2007 and 2008. In addition, 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 $5,000 in 2007 and 2008) 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 any of these amounts.

Participants may also transfer funds from traditional individual retirement accounts (IRAs) or other eligible employer plans into the Plan.

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 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 has contracted with Barclays Global Investors (Barclays) to manage the index funds in which the F, C, S, and I Fund assets are invested.

On August 1, 2005, the Agency initiated the TSP L (Lifecycle) Funds. These are asset allocation portfolios designed for the TSP by Mercer Investment Consulting, Inc. (Mercer) with investment mixes, based on the Plan's existing investment funds, tailored to a target 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 L2010 Fund is for participants who will withdraw their accounts between 2008 and 2014, and the L Income Fund is designed to produce current income for the participants who are already receiving money from their accounts through monthly payments. The asset allocations are based on Mercer's economic assumptions regarding future investment returns, inflation, economic growth, and interest rates, and 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.

Participants may allocate any portion of their contributions among the five investment funds and the L Funds. Also, participants may reallocate their entire account balance among the five investment funds and the L Funds through the interfund transfer process. In 2007, participants could make an interfund transfer daily, without any limit. Beginning in May 2008, the Agency implemented restrictions on 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. Participants are allowed to make two (2) interfund transfers per calendar month. After that, they may move money only from the F, C, S, and I Funds and the L 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 made to their accounts 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. 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 $21,486,000 as of June 30, 2008, and $31,689,000 in 2007, and, by law, are used by the Plan to pay accrued administrative expenses. The increase in forfeitures in 2007 was primarily due to the number of FERCCA cases resolved in 2007, resulting in approximately $17.3 million being forfeited. During the first six months of 2008, FERCCA cases accounted for approximately $17.1 million in forfeitures. When a participant's retirement coverage is corrected from FERS to CSRS, any excess agency contributions are forfeited to the Plan. If the forfeited funds (along with participant loan fees) are not sufficient to meet all administrative expenses, earnings on investments are then charged.

Participant Accounts—Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, agency automatic and matching contributions, and charged with 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 benefit that can be provided from the participant's vested account.

Participant 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. A $50 fee is deducted from the proceeds of the loan. In the first half of 2008, loan fees of $5,523,000 were used to offset administrative expenses. In 2007, loan fees of $13,020,450 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 upon repayment.

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. 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 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 are recorded when disbursed 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 on a daily basis. 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 six-month period ended June 30, 2008, and for the year ended December 31, 2007, 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 the Barclays U.S. Debt Index Fund "E," which in turn holds shares of the Barclays U.S. Debt Index Master Fund. Both the U.S. Debt Index Fund "E" and the Master Fund are passively managed commingled funds that track the Lehman Brothers U.S. Aggregate Bond Index.

As of June 30, 2008, the Barclays U.S. Debt Index Master Fund contained approximately 44 percent mortgage-backed securities (39 percent securities issued by the Government National Mortgage Association, Fannie Mae, and Freddie Mac; 5 percent commercial mortgage-backed securities), 24 percent investment-grade corporate securities (U.S. and sovereign), 22 percent Treasury securities, 9 percent Agency securities, and 1 percent asset-backed securities and taxable municipals.

As of June 30, 2008, the Barclays U.S. Debt Index Master Fund held 4,849 securities totaling $31.5 billion, with a weighted-average life of 7.10 years. The value of the Barclays U.S. Debt Index Fund "E" as of June 30, 2008, was $21.0 billion, which included shares of the Master Fund totaling $21.0 billion. The F Fund holdings constituted $14.8 billion of the June 30, 2008 value of the Debt Index "E" Fund. As of December 31, 2007, the F Fund holdings constituted $12.9 billion of the value of the Debt Index "E" Fund.

The C Fund was invested primarily in the Barclays Equity Index Fund "E," which in turn holds shares of the Barclays Equity Index Master Fund, plus a liquidity reserve that is invested in futures contracts. Both the Equity Index Fund "E" and the Master Fund are passively managed commingled funds that track the S&P 500 Index.

The Equity Index Master Fund 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 June 30, 2008, the Barclays Equity Index Master Fund held $107.2 billion of securities. The value of the Barclays Equity Index Fund "E" as of June 30, 2008, was $89.9 billion, which included shares of the Master Fund totaling $89.4 billion, plus liquidity reserves. The C Fund holdings constituted $68.3 billion of the June 30, 2008 value of the Equity Index "E" Fund. As of December 31, 2007, the C Fund holdings constituted $79.4 billion of the value of the Equity Index "E" Fund.

The S Fund was invested primarily in the Barclays Extended Market Index Fund "E," which in turn holds shares of the Barclays Extended Market Master Fund, plus a liquidity reserve that is invested in futures contracts. Both the Barclays Extended Market Index Fund "E" and the Master Fund are passively managed commingled funds that track the Wilshire 4500 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 June 30, 2008, the Barclays Extended Market Index Master Fund held $24.0 billion of securities. The value of the Barclays Extended Market Index Fund "E" as of June 30, 2008, was $19.8 billion, which included shares of the Master Fund totaling $19.4 billion, plus liquidity reserves. The S Fund holdings constituted $16.5 billion of the June 30, 2008, value of the Extended Market Index "E" Fund.

As of December 31, 2007, the S Fund holdings constituted $18.8 billion of the value of the Extended Market Index "E" Fund.

The I Fund was invested primarily in the Barclays EAFE (Europe, Australasia, Far East) Index Fund "E," which in turn holds shares of the Barclays EAFE Index Master Fund, plus a liquidity reserve that is invested in futures contracts. Both the Barclays EAFE Index Fund "E" and the Master Fund are passively managed commingled funds that track the Morgan Stanley Capital International EAFE Index. The Barclays EAFE Index Master Fund holds stocks of all the companies represented in the EAFE Index in virtually the same weights as they are represented in the index.

As of June 30, 2008, the Barclays EAFE Index Master Fund held $52.4 billion of securities. The value of the Barclays EAFE Index Fund "E" as of June 30, 2008, was $24.3 billion, which included shares of the Master Fund totaling $23.5 billion, plus liquidity reserves. The I Fund holdings constituted $24.2 billion of the June 30, 2008, value of the EAFE Index "E" Fund. As of December 31, 2007, the I Fund holdings constituted $29.6 billion of the value of the EAFE Index "E" Fund.

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

Certain Barclays funds 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 Barclays 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 securities lent (for domestic equities) and 105% of the value of securities lent (for international equities), as marked to market each day, may be invested in cash collateral funds managed by Barclays, which in turn invest in money market securities and instruments. The cash collateral funds may also invest in certain derivative financial instruments, including swaps and futures. As of the six-month period ended June 30, 2008, and for the year ended December 31, 2007, the TSP's maximum exposure to credit risk from the derivatives, should the counterparties fail to perform and the collateral received prove to be of no value, was approximately $135.5 million and $105.6 million, respectively.

The tables below depict how the participants' account balances in the various investment options are allocated among the core TSP funds as of and for the six-month period ended June 30, 2008, and for the year ended December 31, 2007, respectively.

Investment Summary by Fund as of June 30, 2008
(in millions $)

Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	$ 86,451					$ 86,451
F Fund		$ 12,943				$ 12,943
C Fund			$ 61,118			$ 61,118
S Fund				$ 13,902		$ 13,902
I Fund					$ 20,255	$ 20,255
L Income	$ 927	$ 75	$ 150	$ 37	$ 63	$ 1,252
L 2010	$ 3,088	$ 332	$ 965	$ 268	$ 491	$ 5,144
L 2020	$ 2,700	$ 665	$ 2,760	$ 932	$ 1,547	$ 8,604
L 2030	$ 958	$ 440	$ 1,860	$ 746	$ 1,035	$ 5,039
L 2040	$ 281	$ 341	$ 1,434	$ 608	$ 841	$ 3,505
Differences (*)	$ (16)	$ 8	$ 9	$ 9	$ 11	$ 21
Statement of Net Assets	$ 94,389	$ 14,804	$ 68,296	$ 16,502	$ 24,243	$ 218,234

(*) Differences are a result of timing differences, including investment transactions not settled as of June 30, 2008. These differences may not be allocated down to the L Funds until the following business day.

Investment Summary by Fund as of December 31, 2007
(in millions $)

Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	$ 75,915					$ 75,915
F Fund		$ 10,951				10,951
C Fund			$ 71,991			71,991
S Fund				$ 16,212		16,212
I Fund					$ 25,384	25,384
L Income	916	75	148	37	62	1,238
L 2010	3,038	350	1,072	305	560	5,325
L 2020	2,700	689	2,841	975	1,596	8,801
L 2030	921	439	1,836	750	1,024	4,970
L 2040	266	349	1,452	622	857	3,546
Differences (*)	157	11	42	(73)	68	205
Statement of Net Assets	$ 83,913	$ 12,864	$ 79,382	$ 18,828	$ 29,551	$ 224,538

(*) Differences are a result of timing differences, including investment transactions not settled as of December 31, 2007. These differences may not be allocated down to the L Funds until the following business day.

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 $2.9 million and $6.0 million for the six-month period ended June 30, 2008, and for the year ended December 31, 2007, respectively.

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.

Pension Protection Act— On August 17, 2006, the Pension Protection Act of 2006 (Act) was signed into law by President Bush. The Act was intended to improve private sector retirement plans. However, certain provisions affected the Fund's administrative provisions and annual contribution limitations, but are not anticipated to have significant impact on the Fund's financial position. On September 19, 2007, the Agency published an amendment to its death benefit payment regulations consistent with the Act.

With respect to other potential changes to the Fund to conform the TSP rules with those that apply to private sector plans, the members of the Federal Retirement Thrift Investment Board have authorized the following actions to be taken by the Agency: (1) pursue legislation that would require 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, and (2) pursue legislation that would change the default investment fund from the G Fund to an age-appropriate L Fund for all newly enrolled participants. The proposed legislative changes were transmitted to Congress by the Executive Director on July 10, 2007.

The Board proposal was introduced as H.R. 6500 in the House of Representatives. As introduced, that bill also provided for immediate Agency Automatic (1%) and Matching contributions, a qualified Roth contribution program for the TSP, and authority to establish a mutual fund window. This proposal passed the House on July 30, 2008, as part of H.R. 1108.

3. INCOME TAX STATUS

FERSA (5 U.S.C. § 8440(a)(1)) states that the Thrift Savings Fund shall be treated as a trust as 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 since it is qualified by statute.

4. COMMITMENTS AND CONTINGENCIES

The Agency has entered into a contract with SI International to perform TSP software maintenance and development, systems operations and recordkeeping support. The annual cost of this service is approximately $38 million.

The Agency contracts with SI International to provide a call center in Clintwood, VA and with The Active Network, Inc. (which acquired InfoSpherix, Inc. in August 2007) to provide a call center in Frostburg, MD. The term of each of the call center contracts is one year, with four one-year options renewable at the Agency's discretion. The Active Network contract value for fiscal year 2008 is approximately $4.4 million. The SI International call center contract value for fiscal year 2008 is approximately $4.3 million.

The Agency leases the office space it occupies in Washington, DC, the call center space in Clintwood, VA, and the Agency's business continuity space in Fair Oaks, VA under operating leases. The Washington, DC operating lease ends in 2012, with an option to extend for two five-year periods. Monthly base rental payments under the lease range from approximately $106,000 to $127,000. The Frostburg, VA operating lease ends in August 2010, with an option to extend for two five-year periods. Monthly base rental payments under the lease are $12,548.

Future minimum lease commitments under the operating leases are as follows:

CY 2008	$ 776,674
CY 2009	1,581,328
CY 2010	1,559,590
CY 2011	1,488,608
CY 2012	1,518,484
	$ 6,924,684

Rent expense is recorded on a straight-line basis over the lease terms. Rent expense under the leases was approximately $1.3 million and $2.9 million for the six-month period ended June 30, 2008, and for the year ended December 31, 2007, 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 six-month period ended June 30, 2008, and for the year ended December 31, 2007, was $4,482,000 and $4,393,000, 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. Such amounts cannot be, by statute, allocated to participants' accounts. The Agency has determined that the current insurance reserve is adequate to fund coverage needs for the foreseeable future.

* * * * * *

Deloitte

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Thrift Savings Plan
June 30, 2008 Review

October 20, 2008

Audit . Tax . Consulting . Financial Advisory.

Agenda

- Summary of 2008 Review
  - —Scope of Services
  - —Summary of Results

- Transition Plan for CY 2008
  - —Timing
  - —Process

- Questions and Comments

Summary–June 30, 2008 Review

- **Scope of Services**
  - Review of financial statements of Thrift Savings Fund for Six-Month Period Ended June 30, 2008
    - Conducted in accordance with Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants (AICPA)
    - Plan and perform review services to determine if any material modifications should be made to the June 30, 2008 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America
      - Performed analyses of financial data
      - Inquired as to changes in internal controls over financial reporting and general computer and application controls

Summary–June 30, 2008 Review (cont.)

- **Scope of Services (cont.)**
  - Review procedures performed
    - Made inquiries of Agency and contractor personnel – those responsible for financial and accounting matters
    - Work performed at Agency Headquarters (Washington)
  - Review is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America
    - Not expressing an opinion regarding the financial statements taken as a whole

Summary–June 30, 2008 Review (cont.)

- **Summary of Results**
  - Independent Accountants' Review Report
    - Not aware of any material modifications that should be made to the June 30, 2008 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America
  - No opinion on internal controls expressed
- **Status of Prior Recommendations**
  - We did not test operating effectiveness of the controls
  - We did not test any changes made to improve areas commented on in previous years

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