



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

April 3, 2009

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

FROM: GREGORY T. LONG  
EXECUTIVE DIRECTOR

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

**TRACKING ERROR – BGI Funds**

***March 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	1.39	1.39	0.00
Large Cap	8.82	8.76	0.06
Small Mid Cap	8.70	8.62	0.08
International	7.23	6.34	0.89

***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	0.12	0.12	0.00
Large Cap	-10.94	-11.01	0.07
Small-Mid Cap	-10.36	-9.32	-1.04
International	-15.23	-13.94	-1.29

The Barclays Extended Equity Market Fund E underperformed by 104 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 outperformed by 89 basis points in March and underperformed by 129 basis points year to date primarily because of fair valuation adjustments on February 27 and December 31.

**TRADING COSTS**

	<u>DOLLAR AMOUNT TRADED</u>	<u>TRADING COSTS</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
March 2009	463,186,407	180,409	3.9
Year-to-Date	1,152,853,390	379,131	3.3
<u>C Fund</u>			
March 2009	1,408,359,800	915,092	6.5
Year-to-Date	3,585,060,008	1,667,392	4.7
<u>S Fund</u>			
March 2009	476,246,510	467,612	9.8
Year-to-Date	1,363,241,363	961,188	7.1
<u>I Fund</u>			
March 2009	637,042,995	-668,149	-10.5
Year-to-Date	1,692,678,135	-273,004	-1.6

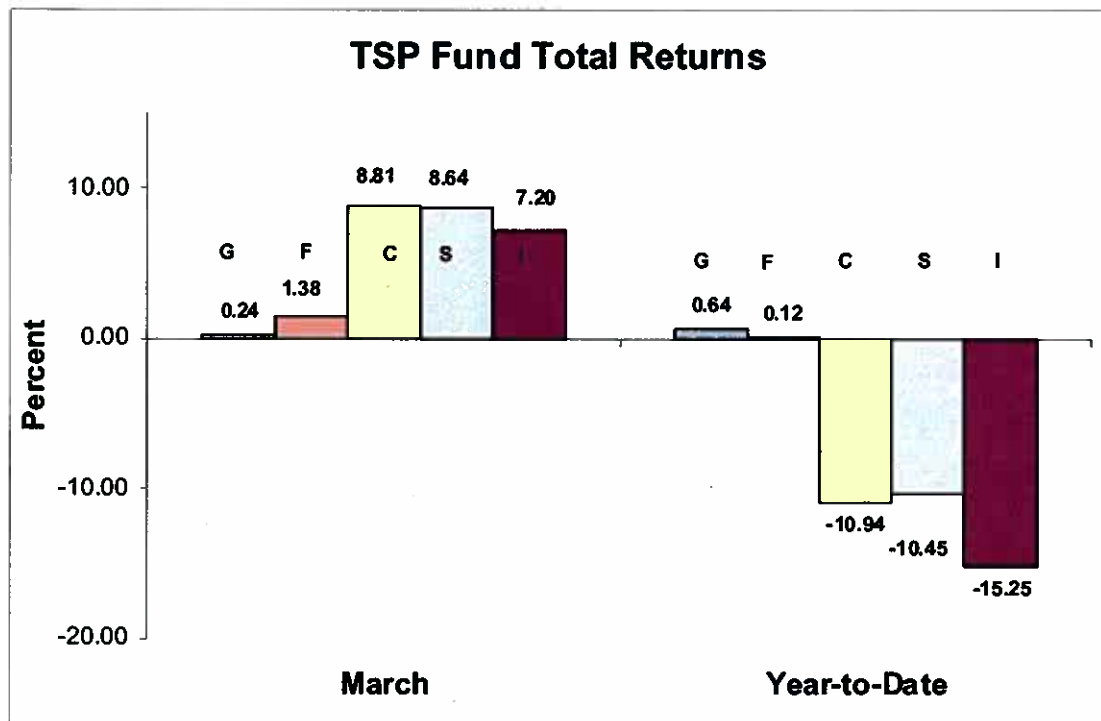
**G FUND**

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
March	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

## **PERFORMANCE OF TSP FUNDS**

The chart below shows the G, F, C, S, and I Fund net rates of return for March 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.

### **March 2009**

#### **Total Return %**

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	1.38	1.39	-0.01	1.39
Large Cap	8.81	8.82	-0.01	8.76
Small Cap	8.64	8.70	-0.06	8.62
International	7.20	7.23	-0.03	6.34

### **Year-to-Date**

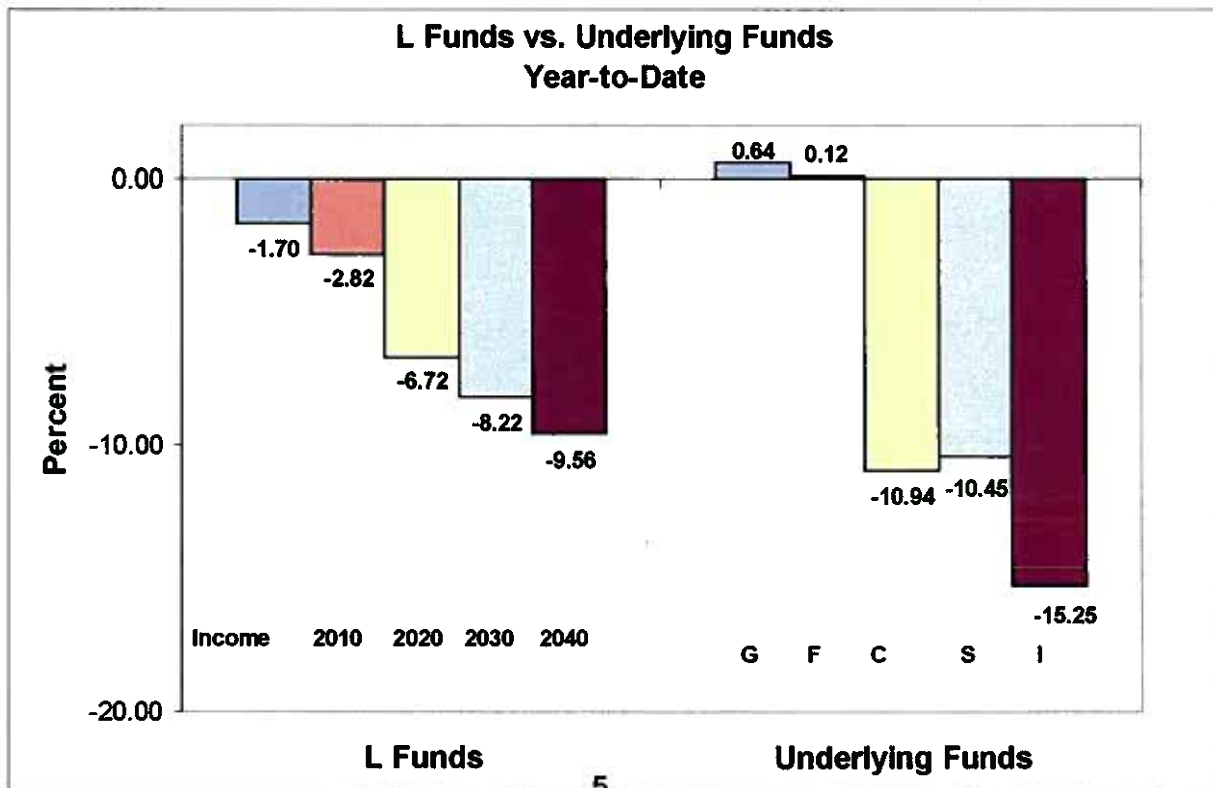
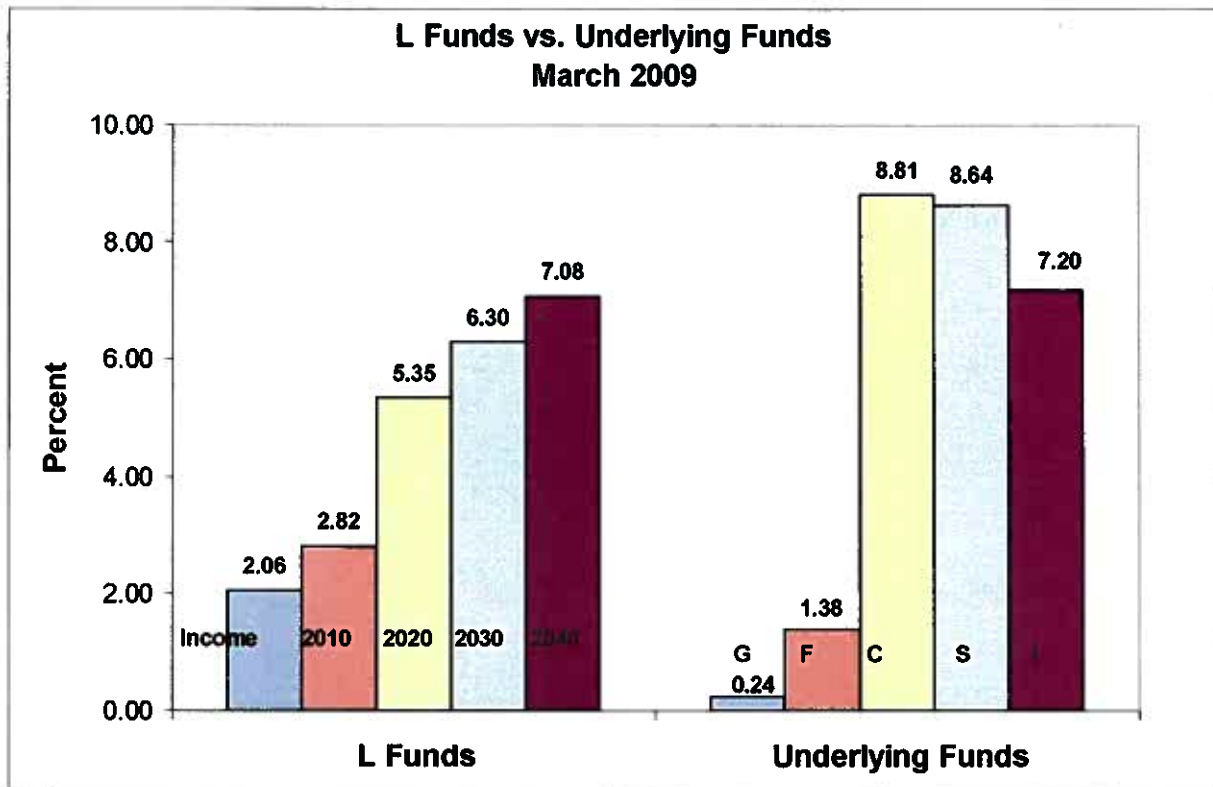
#### **Total Return %**

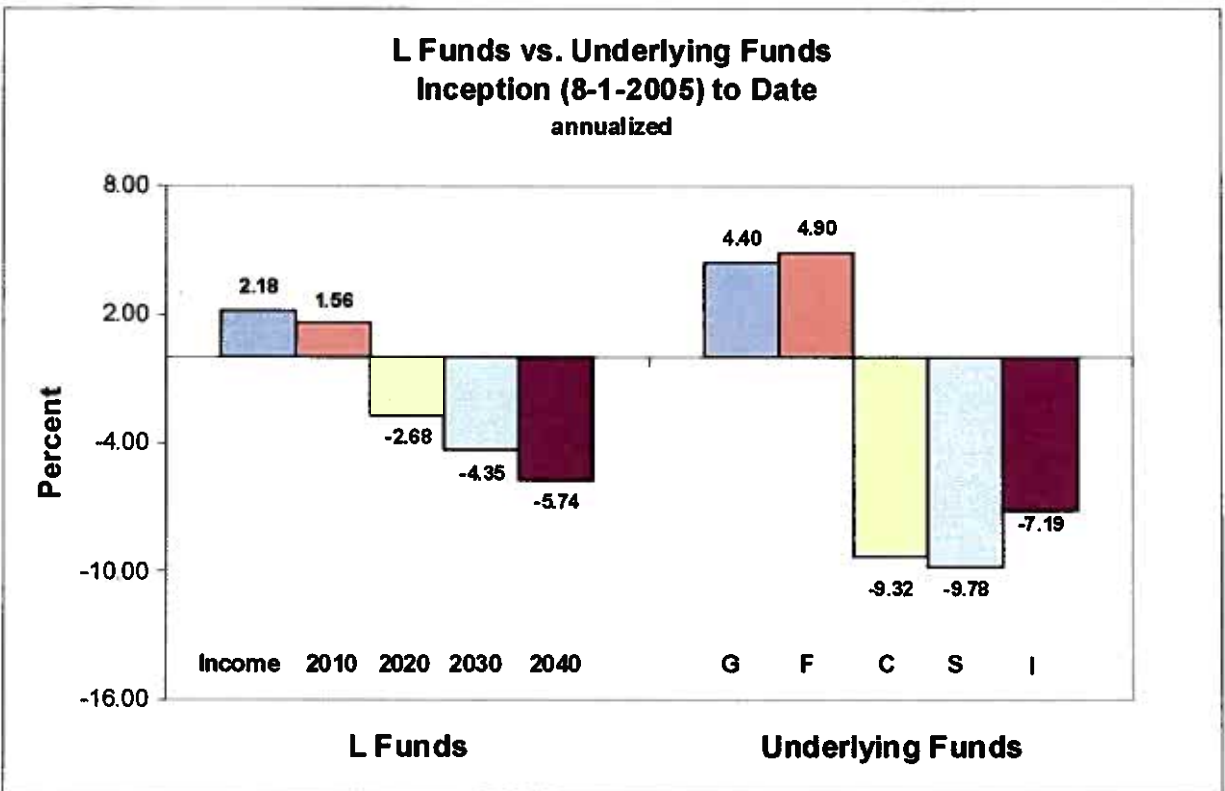
<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.12	0.12	0.00	0.12
Large Cap	-10.94	-10.94	0.00	-11.01
Small Cap	-10.45	-10.36	-0.09	-9.32
International	-15.25	-15.23	-0.02	-13.94

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. Since inception, all of the L Funds have outperformed the C, S and I Funds.





#### **THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**

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

- Participants transferred \$1.5 billion into the G Fund in March. The bulk of the transfers occurred as the market was making new lows in the early part of the month. Beginning March 13, participants redeemed G Fund shares every day except 3/20, 3/30, and 3/31. (p. 8)
- Participants still have over 50% of their account balances allocated to the G Fund. (p. 10)

#### **PROXY VOTING**

An audit of BGI's proxy votes voting conducted by RiskMetrics Group found no exceptions to BGI's established guidelines during the fourth quarter of 2008. A copy of the audit report is provided as Attachment 2. RiskMetrics' audit report for the first quarter of 2009 is not yet available. There were no changes to BGI's proxy voting policy in the fourth 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**

Monthly TSP Contributions										Interfund Transfer Activity									
Month end	G Fund (%)	F Fund (%)	C Fund (%)	S Fund (%)	I Fund (%)	L Funds (%)	Total (\$MII)	G Fund (\$MII)	F Fund (\$MII)	C Fund (\$MII)	S Fund (\$MII)	I Fund (\$MII)	L Funds (\$MII)	# of IFTs					
12/31/2004	40%	7%	39%	8%	6%	N/A	1,560	(397)	(156)	(326)	357	522	N/A	141,159					
12/31/2005	36%	6%	35%	9%	8%	6%	1,560	(366)	(109)	(703)	27	359	792	140,242					
12/31/2006	33%	5%	30%	9%	11%	11%	1,569	(448)	29	(593)	(143)	715	440	148,123					
12/31/2007	33%	4%	27%	9%	13%	14%	1,619	17	(24)	(309)	0	72	244	133,550					
1/31/2008	33%	4%	27%	9%	13%	14%	1,889	4,405	1,332	(1,839)	(1,204)	(2,295)	(399)	260,044					
2/29/2008	34%	5%	26%	8%	12%	14%	1,684	810	242	(639)	(202)	(370)	159	137,320					
3/31/2008	35%	5%	26%	8%	12%	14%	1,685	1,876	512	(999)	(417)	(720)	(252)	147,306					
4/30/2008	36%	5%	25%	8%	12%	14%	1,835	152	67	(388)	(45)	69	145	108,103					
5/31/2008	35%	5%	25%	8%	12%	15%	1,980	(465)	(403)	(36)	187	436	281	84,209					
6/30/2008	35%	5%	25%	8%	12%	15%	1,748	1,127	(156)	(345)	(39)	(452)	(135)	93,523					
7/31/2008	36%	5%	25%	8%	11%	15%	1,940	2,401	28	(826)	(359)	(831)	(413)	117,084					
8/31/2008	37%	5%	24%	8%	11%	15%	1,689	383	(71)	(49)	119	(423)	41	67,910					
9/30/2008	38%	5%	24%	8%	11%	14%	1,672	3,466	(7)	(1,073)	(483)	(1,158)	(745)	166,033					
10/31/2008	42%	5%	23%	7%	9%	14%	2,123	4,291	(962)	(977)	(444)	(865)	(1,043)	267,859					
11/30/2008	42%	5%	23%	7%	9%	14%	1,591	937	(289)	(222)	(51)	(120)	(255)	112,126					
12/31/2008	43%	4%	23%	7%	9%	13%	1,936	308	56	(180)	(14)	(62)	(108)	76,194					
1/31/2009	43%	5%	22%	7%	9%	13%	1,706	(155)	200	(71)	58	50	(82)	95,683					
2/28/2009	44%	5%	22%	7%	9%	13%	1,749	2,011	(104)	(819)	(204)	(366)	(518)	121,203					
3/31/2009	47%	5%	21%	6%	8%	13%	1,757	1,449	(238)	(565)	(110)	(218)	(318)	160,299					



**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**L Fund Investment Balances and Number of Participants**

L Fund Investment Balances						Number of Participant Accounts with L Fund Balances						
Month end	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
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

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

Number of TSP Participants with Entire Account Balance Invested in One Lifecycle Fund						Allocation of Account Balances (G/F/C/S/L Fund)					
Month end	FERS #	%	CSRS #	%	Uniformed Services #	%	FERS (%) (G/F/C/S/L)	CSRS (%) (G/F/C/S/L)	Uniformed Services (%) (G/F/C/S/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		
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		
12/31/2007	116,157	5%	28,753	5%	40,046	5%	32/5/33/7/12/11	39/5/32/6/9/9	36/4/18/13/15/14		

1/31/2008	115,790	5%	28,066	5%	40,607	5%	35/6/31/7/10/11	42/6/30/5/8/9	37/4/18/13/14/14
2/29/2008	117,125	5%	27,878	5%	41,026	5%	37/6/30/6/10/11	43/6/29/5/8/9	38/4/17/13/14/14
3/31/2008	117,022	5%	27,303	4%	41,626	5%	37/6/30/6/10/11	43/6/29/5/8/9	39/4/17/12/14/14
4/30/2008	117,927	5%	27,144	4%	41,983	5%	37/6/30/6/10/11	43/6/29/5/8/9	38/4/17/12/14/15
5/31/2008	118,977	5%	27,189	4%	42,324	5%	36/6/30/7/10/11	43/6/29/5/8/9	37/4/17/13/14/15
6/30/2008	118,990	5%	26,849	4%	42,649	5%	38/6/29/6/10/11	45/6/28/5/7/9	39/4/16/12/14/15
7/31/2008	117,900	5%	26,107	4%	42,727	5%	40/6/28/6/9/11	46/6/27/5/7/9	40/4/16/12/13/15
8/31/2008	118,650	5%	25,952	4%	42,892	5%	40/6/29/6/8/11	47/6/27/5/6/9	39/4/16/13/13/15
9/30/2008	116,373	5%	24,973	4%	42,910	5%	43/6/27/6/8/10	51/6/25/4/5/9	42/4/16/12/11/15
10/31/2008	110,471	4%	22,635	4%	42,455	5%	49/6/24/5/6/10	57/6/22/3/4/8	47/5/14/10/10/14
11/30/2008	109,188	4%	21,955	4%	42,311	5%	52/6/23/4/5/10	58/6/21/3/4/8	49/5/14/9/9/14
12/31/2008	108,130	4%	21,470	4%	42,267	5%	50/7/22/5/6/10	58/6/21/3/4/8	48/5/14/9/10/14

1/31/2009	107,944	4%	21,032	4%	42,344	5%	53/7/22/4/5/9	60/6/19/3/4/8	50/5/13/9/9/14
2/28/2009	105,490	4%	19,855	3%	42,133	4%	56/7/19/4/5/9	62/7/18/3/3/7	53/5/12/8/9/13
3/31/2009	102,689	4%	18,823	3%	41,884	4%	55/7/20/4/5/9	63/6/18/3/3/7	50/5/13/9/9/14

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**L Fund Participation Rates and Balance Distribution**

Participants with Balances in the L Funds					Allocation of L Fund Balances			
Month end	FERS (000s) %	CSRS (000s) %	Uniformed Services (000s) %	FERS (%) Inc/2010/2020/2030/2040	CSRS (%) Inc/2010/2020/2030/2040	Uniformed Services (%) Inc/2010/2020/2030/2040		
12/31/2005	138	33	44	6 / 24 / 41 / 20 / 9	13 / 50 / 30 / 4 / 3	2 / 8 / 23 / 36 / 31		
12/31/2006	273	57	103	4 / 21 / 40 / 22 / 13	11 / 45 / 32 / 6 / 6	2 / 7 / 22 / 35 / 34		
12/31/2007	359	68	139	4 / 19 / 39 / 23 / 15	10 / 42 / 34 / 7 / 7	2 / 6 / 21 / 34 / 37		
1/31/2008	360	66	140	5 / 19 / 38 / 23 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 21 / 34 / 37		
2/29/2008	366	66	143	5 / 19 / 38 / 23 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 21 / 34 / 37		
3/31/2008	369	66	145	5 / 19 / 38 / 23 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 20 / 35 / 37		
4/30/2008	373	66	147	5 / 19 / 38 / 23 / 15	11 / 42 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38		
5/31/2008	379	66	149	4 / 19 / 39 / 23 / 15	10 / 43 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38		
6/30/2008	380	66	150	5 / 19 / 38 / 23 / 15	11 / 42 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38		
7/31/2008	380	64	151	4 / 19 / 38 / 24 / 15	11 / 42 / 34 / 7 / 6	2 / 6 / 20 / 34 / 38		
8/31/2008	383	64	153	4 / 18 / 39 / 24 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 20 / 34 / 38		
9/30/2008	377	62	153	5 / 19 / 37 / 24 / 15	11 / 43 / 33 / 7 / 6	2 / 6 / 20 / 34 / 38		
10/31/2008	372	58	152	5 / 19 / 37 / 24 / 15	11 / 44 / 33 / 7 / 5	2 / 7 / 20 / 34 / 37		
11/30/2008	372	57	153	5 / 19 / 37 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37		
12/31/2008	373	57	154	5 / 19 / 37 / 24 / 15	11 / 44 / 33 / 7 / 5	2 / 7 / 20 / 34 / 37		
1/31/2009	375	56	155	5 / 19 / 37 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37		
2/28/2009	371	54	155	5 / 19 / 37 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37		
3/31/2009	372	53	155	4 / 19 / 38 / 24 / 15	11 / 45 / 33 / 6 / 5	2 / 7 / 20 / 34 / 37		



2099 Gaither Road  
Rockville, MD 20850

January 13, 2009

Mr. Chad Spittler  
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 4th quarter of 2008. Our review found that there were no exceptions to policy over this period.

Best regards,

Steven E. Friedman  
Chief Legal Officer

sef/awk/encl.

cc: Stephanie Bounds, Pearl Wong, Adrian Kosinda

## MEMORANDUM

The results of our review of BGI's 4<sup>th</sup> quarter proxy voting are as follows:

- Votes at 55 meetings were examined.
- Votes at 27 of the 55 meetings were for directors and/or auditor only (compliance votes).
- At the remaining 28 meetings, there were 51 non-routine proposals. The following table illustrates the votes involved by proposal type:

<b>Proposal</b>	<b>Votes</b>
Executive stock option plan	9
Section 162(m)	1
Increase in common stock	3
Authorize new class of preferred stock	6
Reverse stock split	2
Issue shares in connection with acquisition	1
Merger and/or reorganization	7
Adjourn meeting	12
Conversion of securities	3
Amend articles	1
Name change	2
Other business	2
Shareholder proposal	2
<b>Total:</b>	<b>51</b>



- There were 9 votes cast on executive stock option plans:
  - a) 6 votes were cast in favor of the plans (66.7 percent)
  - b) 3 votes were cast against the plans (33.3 percent); the plans were opposed due to a provision that permits repricing without shareholder approval.
- There were 3 votes cast on proposals to increase authorized common stock; the votes were cast in favor of the increases.
- There were 7 votes cast on mergers or major corporate transactions:
  - a) 6 votes were cast in favor of the transactions (85.7 percent)
  - b) 1 vote was cast against the transaction (14.3 percent)
- There were 2 votes cast on shareholder proposals which included:
  - a) 1 shareholder proposal to approve advisory vote on executive compensation; the vote was cast against the proposal.
  - b) 1 shareholder proposal to hire an advisor and form board subcommittee regarding sale of company to maximize shareholder value; the vote was cast against the proposal.

There were no exceptions to policy this period.