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

GREGORY T. LONG
Executive Director

February 9, 2010

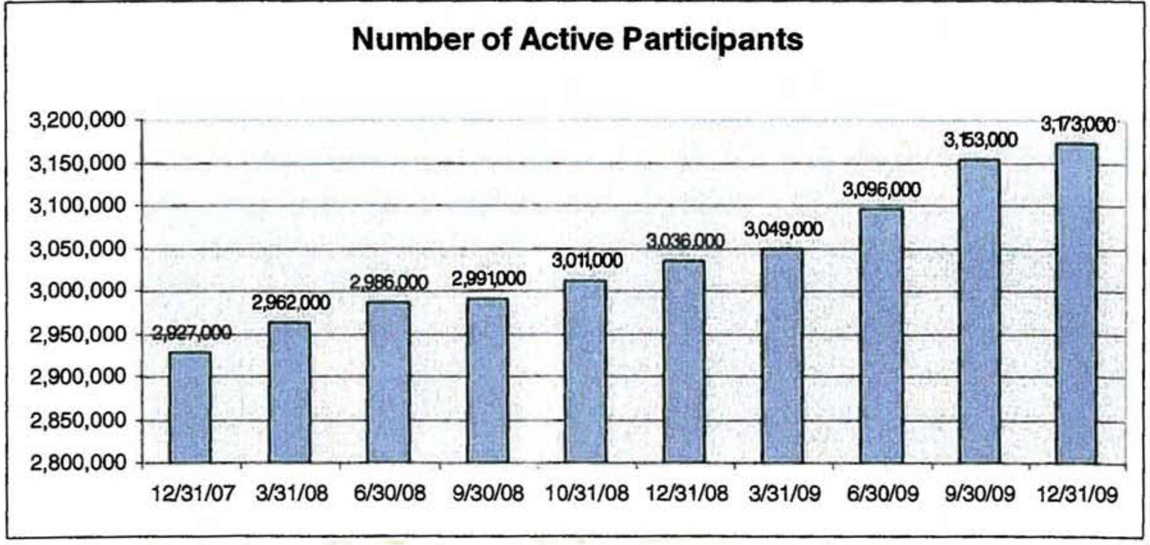
MEMORANDUM FOR BOARD MEMBERS SAUL, FINK, SANCHEZ, WHITING AND DUFFY

FROM: GREG LONG, Executive Director and
RENEE WILDER, Director, Research and Strategic Planning

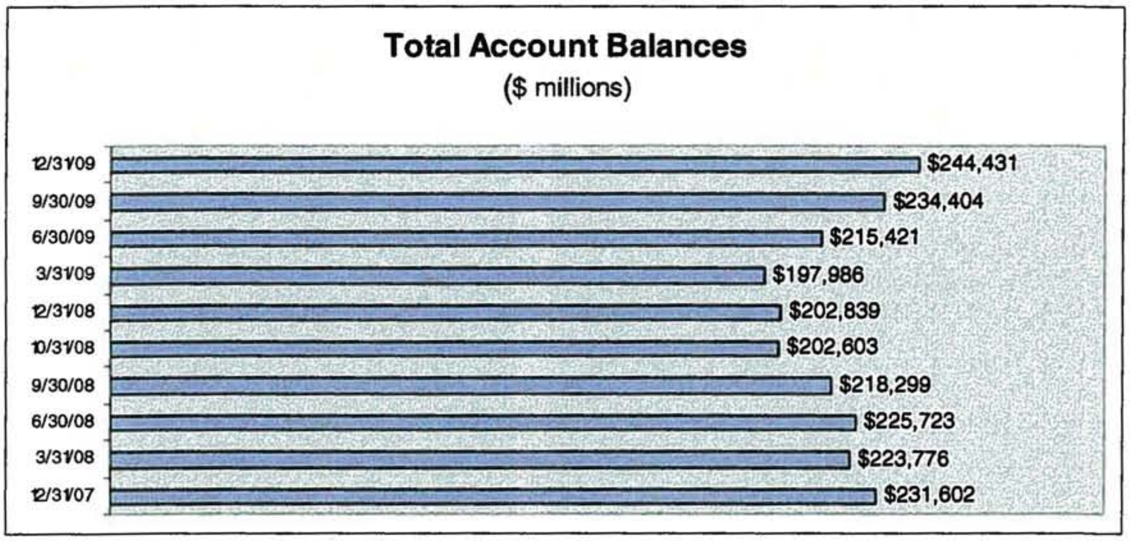
SUBJECT: Update on Participant Investment Behavior during the 2008 Financial Crisis

At the request of the Board, the Office of Research and Strategic Planning examined the behavior of participants in the TSP over the period of the recent financial crisis. In general, our participants did not panic by ceasing contributions or removing significant balances from the Plan. On the other hand, as might be anticipated, they did shift significant account balances out of the equity accounts and into the Government (G) Fund during the period and have now with the recovery of the markets, have begun to move balances back into equities.

The following charts illustrate TSP participant activity over the last two years:

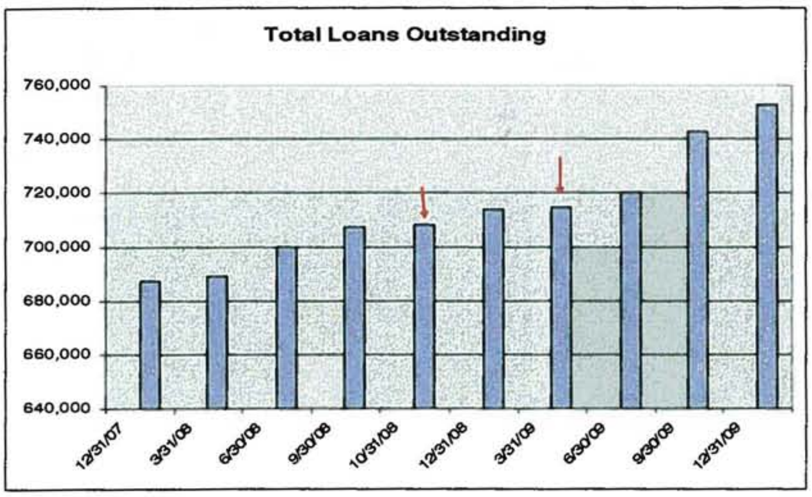


- Participation in the TSP remained strong during the 2008-2009 period and has experienced a meaningful "boost" with the introduction of automatic agency contributions in June 2009.

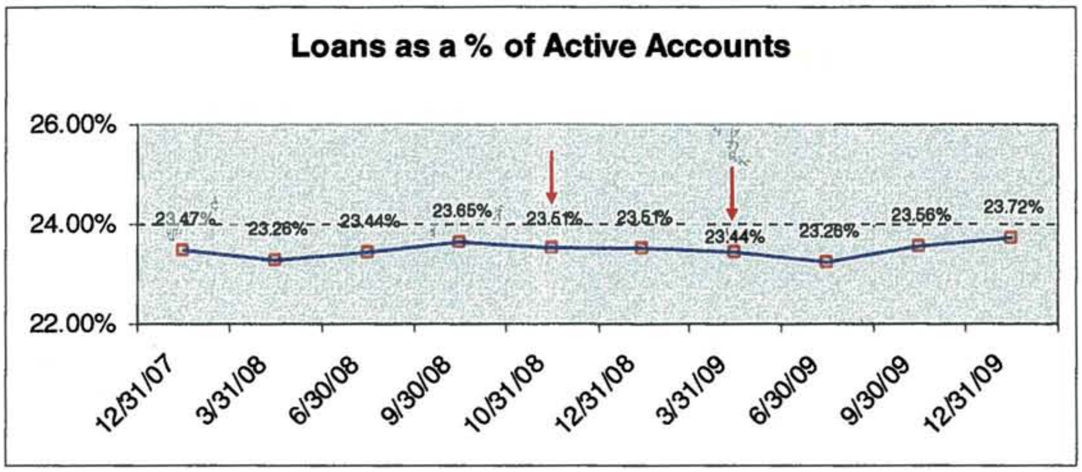


- While contributions remained fairly strong into the TSP, account balances declined generally reflecting the impact of the market (the month-end low was Feb 2009 at $191,562)
- Account balances have recovered in response to stronger equity markets, continuing monthly cash inflows in the range of $1.7 – $2.0 billion and growing participation.
- At year end 2007, the TSP had 2.9 million active accounts and 3.9 million total accounts. At year end 2009, there numbers stood at 3.2 million and 4.3 million, respectively.

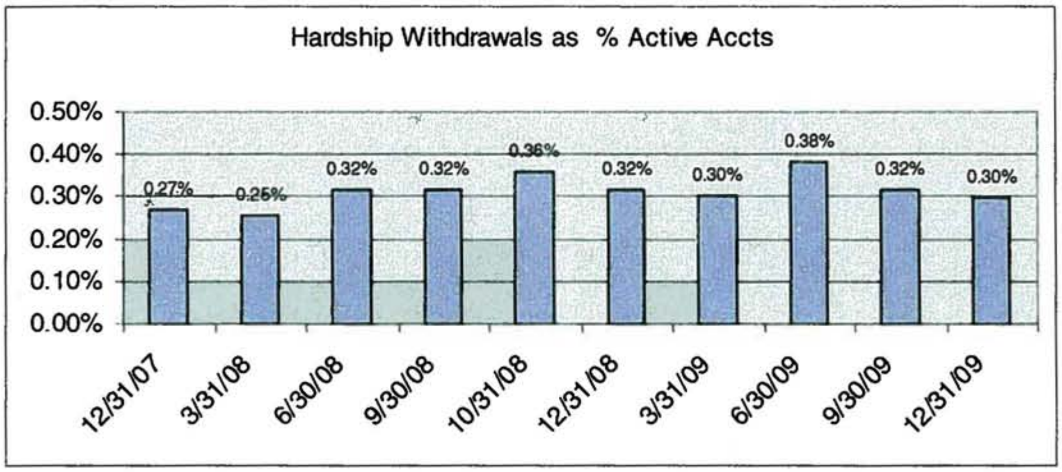
Loans and Withdrawals



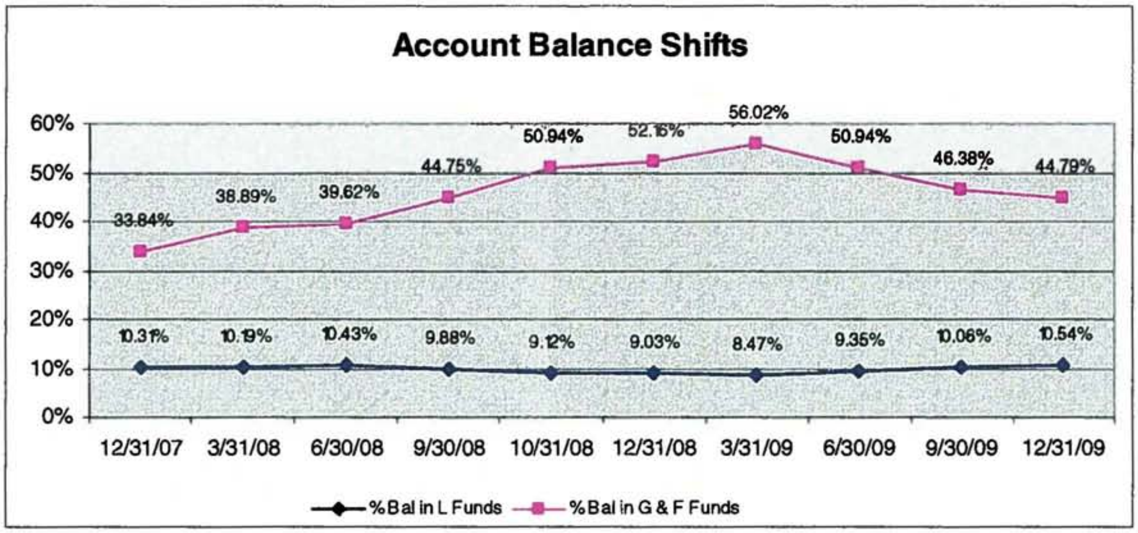
- Borrowing behavior did not increase meaningfully during the crisis.
- The number of loans outstanding has increased over the last several months, though the average loan amount has remained in the $12,000-$13,000 range.



- We have speculated that loan activity may have increased over the last few months of 2009, as participants were seeking a speedy method of taking advantage of the Federal Homeowner's Tax Credit.



- With the exception of a slight increase in October 2008 and June 2009, financial hardships have not reflected a meaningful increase over the period.



- As the financial markets became more volatile in late 2008, TSP participants began to move balances out of the equity funds and into the Government (G) Fund, peaking in March 2009. As the markets have strengthened, participants have begun to re-enter the equity accounts.
- Balances in the Lifecycle Funds also experienced a minor decline over the period, but generally, participants utilized the Lifecycle Funds appropriately, not moving balances out of the funds to the degree seen in the other TSP funds.

In the next Participant Survey, we will try to probe the behavior of TSP participants further to determine if factors such as a sense of greater job security with the Federal Government, comfort with the investment options offered and other factors contributed to their investment behavior during this period.