



Thrift Savings Plan

**FUND
INFORMATION**

May 2008

We're glad you asked . . .

. . . about your TSP investment options. The information in this booklet will help you decide how to invest your account.

To get started, first determine your approach to investing. You can manage your own account or put your money in one of the “lifecycle” funds—L Funds—that are invested according to a professionally determined mix of the G, F, C, S, and I Funds based on various time horizons.

If you decide to invest your entire account in one of the L Funds, you're done making decisions. The TSP will do the rest.

If you choose your own investment mix from the G, F, C, S, and I Funds, remember that the amount you contribute and your investment allocation are the most important factors affecting the growth of your TSP account. As you read the fund descriptions, think about these points:

- ✓ **Consider both risk and return.** The F Fund (bonds) and the C, S, and I Funds (stocks) have higher potential returns than the G Fund (Government securities). But stocks and bonds also carry the risk of investment losses that the G Fund does not have. On the other hand, investing entirely in the G Fund may not give you the returns you need to meet your retirement savings goal.
- ✓ **You need to be comfortable with the amount of risk you expect to take.** Your investment comfort zone should allow you to use a “buy and hold” strategy so that you are not chasing market returns during upswings, or abandoning your investment strategy during downswings.
- ✓ **You can reduce your overall risk by diversifying your account.** The five individual TSP funds offer a broad range of investment options, including Government securities, bonds, and domestic and foreign stocks. Generally, it's best not to put all of your eggs in one basket, except in the case of the L Funds, which are automatically diversified.
- ✓ **The amount of risk you can sustain depends largely upon your investment time horizon.** The more time you have before you need to withdraw from your account, the more risk you can take. (This is because early losses can be offset by later gains.) As your time horizon shortens, you may need to modify your investment mix.
- ✓ **Periodically review your investment choices.** Check the distribution of your account among the funds to make sure that the mix you chose is still appropriate for your situation. If not, make an “interfund transfer” (IFT) to rebalance your account to the allocation you want. For each calendar month, your *first two* IFTs can redistribute money in your account among any or all of the TSP funds. After that, for the remainder of the month, your IFTs can *only* move money into the Government Securities Investment (G) Fund (in which case, you will increase the percentage of your account held in the G Fund by reducing the percentage held in one or more of the other TSP funds). If you have both a civilian and a uniformed services account, this applies to each account separately.

For more information about TSP investment options, visit the Web site, www.tsp.gov. You can get recent and historical rates of return, use the calculators to estimate the effect of various rates of return on your account balance, and read TSP *Highlights* articles about investing.

Remember, there is no guarantee that future rates of return will match historical rates.



L FUNDS

Lifecycle Funds

Fund Information

As of December 31, 2007

Net Assets
\$24.7 billion

2007 Administrative Expenses
\$0.15 per \$1,000
account balance,
.015% (1.5 basis points)

Investment Objective

Fund	Growth	Preservation of Assets
L 2040	High	Very Low
L 2030	High	Low
L 2020	Moderate/High	Low
L 2010	Moderate	Moderate
L Income	Low	High

Time Horizons

(when you expect to need the money)

Choose:	If your time horizon is:
L 2040	2035 or later
L 2030	2025 through 2034
L 2020	2015 through 2024
L 2010	2008 through 2014
L Income	Today and the near future

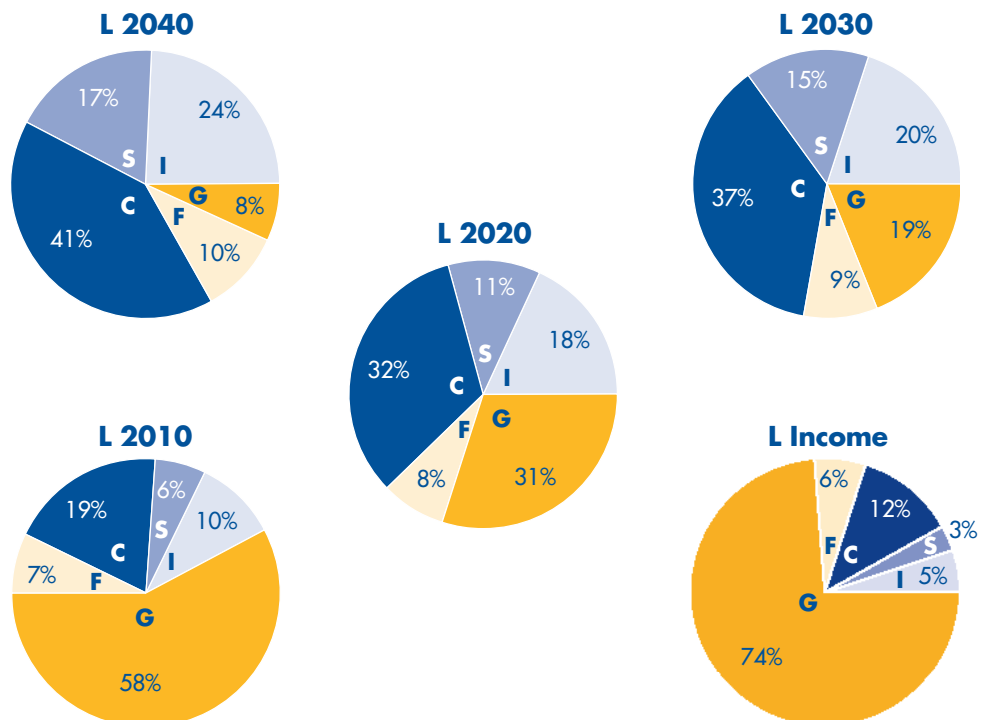
Inception
August 1, 2005

Key Features

- The L Funds diversify participant accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to different time horizons. The L Funds are rebalanced to their target allocations each business day. The investment mix of each fund adjusts quarterly to more conservative investments as the fund's time horizon shortens.
- The objective of the L Funds is to provide the highest possible rate of return for the amount of risk taken.
- Investing in the L Funds is not a guarantee against loss and does not eliminate risk. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.
- The L Funds' returns will be approximately equal to the weighted average of the G, F, C, S, and I Funds' returns. Earnings are calculated daily, and there is a daily share price for each L Fund.

Allocation Targets

as of January 1, 2008



L FUND FACTS

The L Funds are intended to meet the investment needs of TSP participants with time horizons that fall into five different date ranges, as shown on the front. The five L Funds were designed for the TSP by Mercer Investment Consulting, Inc. The asset allocations are based on Mercer's assumptions regarding future investment returns, inflation, economic growth, and interest rates. The TSP will review these assumptions at least annually and determine whether changes to the allocations are warranted.

L 2040, L 2030, L 2020, and L 2010 are for participants with time horizons that fall within the defined date ranges. The asset allocations of these funds are adjusted quarterly, moving to a more conservative mix, gradually approaching that of the L Income Fund. Between quarterly adjustments, the asset allocation of each fund is maintained through daily rebalancing to that fund's target allocation. When a fund reaches its horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon. For example, in 2010, the L 2010 Fund will roll into the L Income Fund, and a new L 2050 Fund will be created.

The L Income Fund is designed to produce current income for participants who are already receiving money from their accounts through monthly payments and for participants who plan to withdraw or to begin withdrawing from their accounts in the near future. The asset allocation of the L Income Fund does not change over time; it is maintained through daily rebalancing.

The pie charts on the front show the 1/1/08 allocations of the L Income, L 2010, L 2020, L 2030, and L 2040 Funds in each of the five underlying TSP funds. The allocation to the G Fund, which has the least amount of risk, is largest in the L Income Fund, and becomes successively smaller with the more distant target dates. In contrast, the allocations to the F, C, S, and I Funds, which carry varying degrees of risk, but also the potential for higher returns, are largest in L 2040 and smallest in the L Income Fund.

The graph below depicts the expected return and risk associated with each of the five L Funds at inception. The expected returns are derived from Mercer's economic assumptions and are not guaranteed. Expected variability of the investment returns is a measure of risk in investing. For each risk level, there is one "optimal" asset allocation that provides the highest expected return. The collection of optimal asset allocations make up the "Efficient Frontier," which is shown by the curve. Asset allocations that are below the Efficient Frontier are less than optimal, because there is an asset allocation along the frontier that provides a higher return for the same level of risk, or lower risk for the actual returns received. The five TSP L Funds have initial asset allocations that correspond to points shown on the Efficient Frontier. **Putting your entire TSP account into one of the L Funds allows you to achieve the best expected return for the amount of expected risk that is appropriate for your time horizon.**

Over time, the L Funds (except for the Income Fund) will "roll down" the Efficient Frontier. That means that, as their allocations are adjusted each quarter, the funds shift left on the line, becoming less risky, until they eventually merge into the L Income Fund.

The administrative expenses associated with the L Funds are those of the underlying G, F, C, S, and I Funds, calculated in proportion to their allocations in each L Fund. The L Funds do not have any additional charges. There are no restrictions on investing in the L Funds. You may invest any part of your TSP account in any L Fund, and even invest in more than one L Fund. **But it is recommended that you put your entire TSP account into just one L Fund—the one with the target date that is closest to your time horizon.**

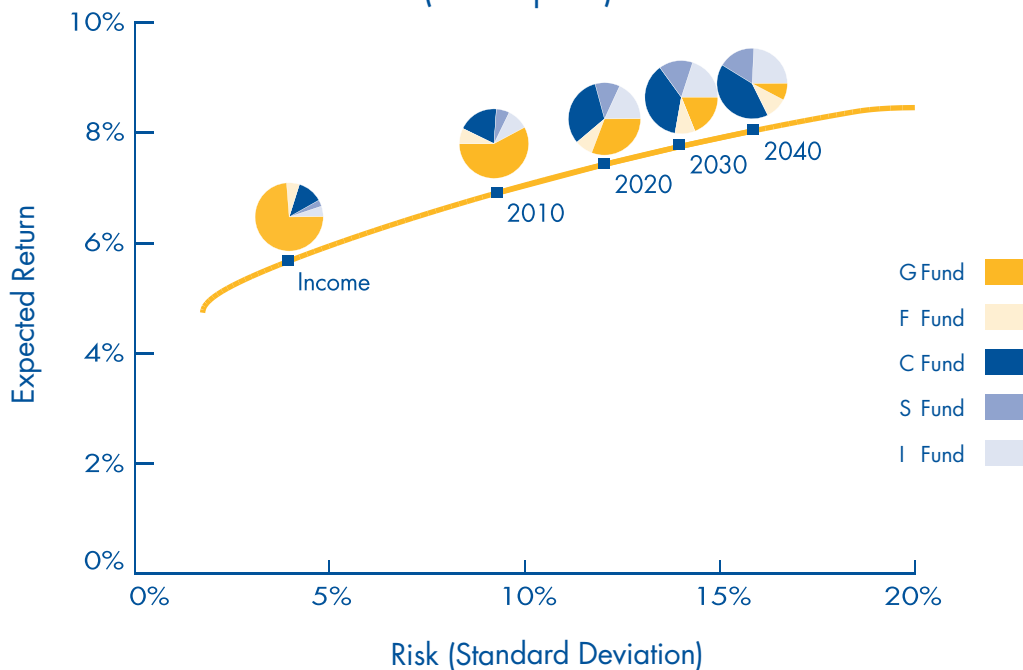
Any other strategy may result in an asset allocation that is less than optimal (i.e., not on the Efficient Frontier), or which is not suited to your investment time horizon.

Remember, however, that risk and expected return are based on assumptions about future economic conditions and investment performance. There is no guaranteed rate of return for any period, either short-term or long-term.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with both civilian and uniformed services accounts, this rule applies to each account separately.)

L Funds and the Efficient Frontier

(At Inception)





G FUND

Government Securities Investment Fund

Fund Information

As of December 31, 2007

Net Assets
\$86.5 billion

2007 Administrative Expenses

\$0.15 per \$1,000
account balance,
.015% (1.5 basis points)

Returns

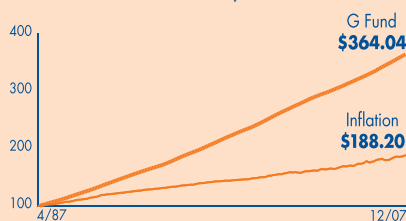
After Expenses

1-Year	4.87%
3-Year	4.76%
5-Year	4.54%
10-Year	5.12%
Since Inception	6.42%

April 1, 1987

Growth of \$100

Since Inception

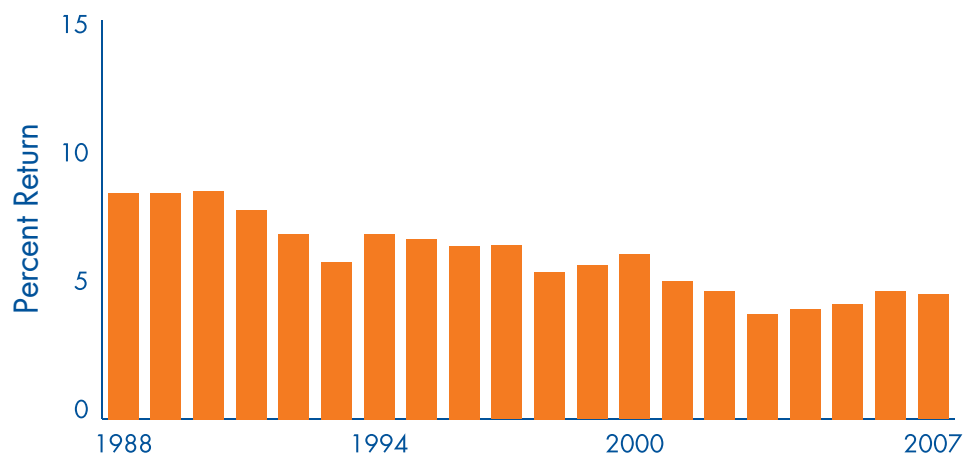


Key Features

- The G Fund offers the opportunity to earn rates of interest similar to those of long-term Government securities but without any risk of loss of principal and very little volatility of earnings.
- The objective of the G Fund is to maintain a higher return than inflation without exposing the fund to risk of default or changes in market prices.
- The G Fund is invested in short-term U.S. Treasury securities specially issued to the TSP. Payment of principal and interest is guaranteed by the U.S. Government. Thus, there is no "credit risk."
- The interest rate resets monthly and is based on the weighted average yield of all outstanding Treasury notes and bonds with 4 or more years to maturity.
- Earnings consist entirely of interest income on the securities.
- Interest on G Fund securities has, over time, outpaced inflation and 90-day T-bills.

G Fund Returns

Inception - 2007



G FUND FACTS

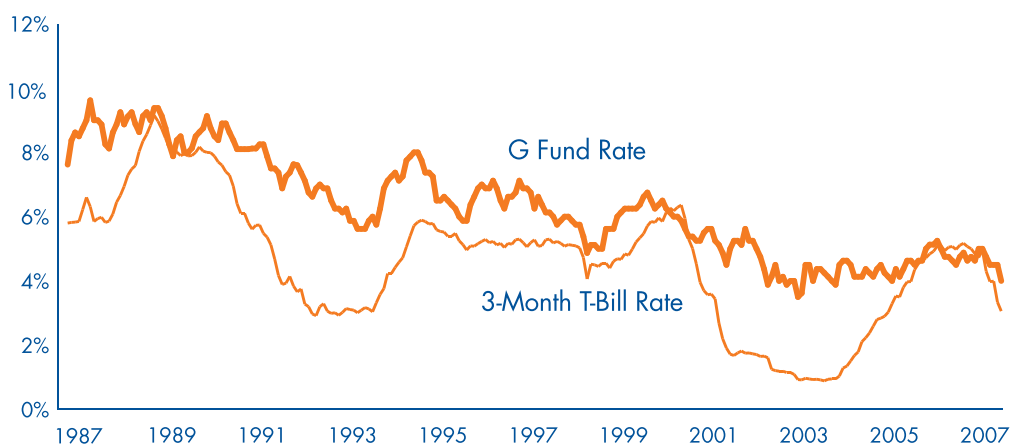
By law, the G Fund must be invested in nonmarketable U.S. Treasury securities specially issued to the TSP. The G Fund investments are kept by electronic entries which do not involve any transaction costs to the TSP. The G Fund rate is set once a month by the U.S. Treasury based on a statutorily prescribed formula (described below), and all G Fund investments earn that interest rate for the month. (The G Fund rate is also used in other Government programs, such as the Social Security and Medicare trust funds and the Civil Service Retirement and Disability Fund.)

The Board invests the G Fund exclusively in short-term securities (with maturities ranging from 1 day to 4 days over holiday weekends), but the securities earn a long-term interest rate. Because the Federal Retirement Thrift Investment Board pursues its strategy of investing the G Fund in short-term securities, the value of G Fund securities does not fluctuate; only the interest rate changes. Thus, when the monthly G Fund interest rate goes up, G Fund earnings accrue faster; when the G Fund interest rate declines, G Fund earnings accrue more slowly.

Calculation of G Fund Rate—G Fund securities earn a statutory interest rate equal to the average market yield on outstanding marketable U.S. Treasury securities with 4 or more years to maturity. The G Fund rate is calculated by the U.S. Treasury as the weighted average yield of approximately 76 U.S. Treasury securities on the last day of the previous month. The yield of the security has a weight in the G Fund rate calculation based on the amount outstanding. (The larger the dollar amount of a security outstanding, the larger its weight in the calculation.) The Treasury securities used in the G Fund rate calculation have a weighted average maturity of approximately 11 years.

The G Fund Yield Advantage—The G Fund rate calculation described above, along with the Board's policy of investing exclusively in short-term maturities, results in a long-term rate being earned on short-term securities. Because long-term interest rates are generally higher than short-term rates, G Fund securities usually earn a higher rate of return than do short-term marketable Treasury securities. In the chart above, the G Fund rate is compared with the rate of return on 3-month marketable Treasury securities (T-bills). From January 1988 through December 2007, the G Fund rate was, on average, 1.66 percentage points higher per year than the 3-month T-bill rate.

G Fund Yield Advantage April 1987 – December 2007





F FUND

Fixed Income Index Investment Fund

Fund Information

As of December 31, 2007

Net Assets
\$13.3 billion

2007 Administrative Expenses
\$0.15 per \$1,000
account balance,
.015% (1.5 basis points)

Average Duration
4.5 years

Average Current Yield
5.29%

Benchmark Index
Lehman Brothers U.S. Aggregate
Bond Index
www.lehman.com

Asset Manager
Barclays Global Investors

Returns

	F Fund*	LBA Index
1-Year	7.09%	6.96%
3-Year	4.61%	4.56%
5-Year	4.45%	4.42%
10-Year	6.01%	5.97%
Since Inception	7.24%	7.56%

January 29, 1988

* After expenses

Growth of \$100

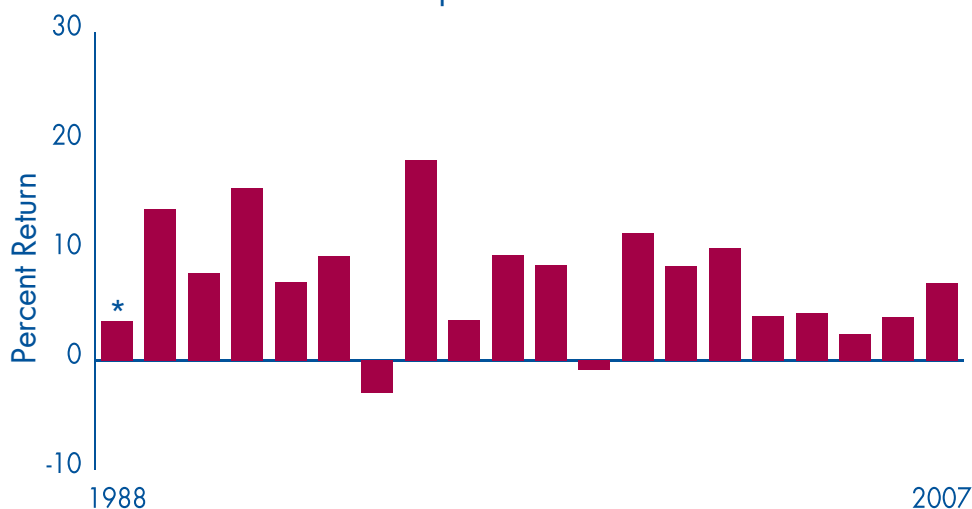
Since Inception



Key Features

- The F Fund offers the opportunity to earn rates of return that exceed those of money market funds over the long term (particularly during periods of declining interest rates), with relatively low risk.
- The objective of the F Fund is to match the performance of the Lehman Brothers U.S. Aggregate (LBA) Index, a broad index representing the U.S. bond market.
- The risk of nonpayment of interest or principal (credit risk) is relatively low because the fund includes only investment-grade securities and is broadly diversified. However, the F Fund has market risk (the risk that the value of the underlying securities will decline) and prepayment risk (the risk that the security will be repaid before it matures).
- Earnings consist of interest income on the securities and gains (or losses) in the value of securities.

F Fund Returns Inception - 2007



* 1988 return shown is a partial year return.

F FUND FACTS

By law, the F Fund must be invested in fixed-income securities. The Federal Retirement Thrift Investment Board has chosen to invest the F Fund in an index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) Index, a broadly diversified index of the U.S. bond market.

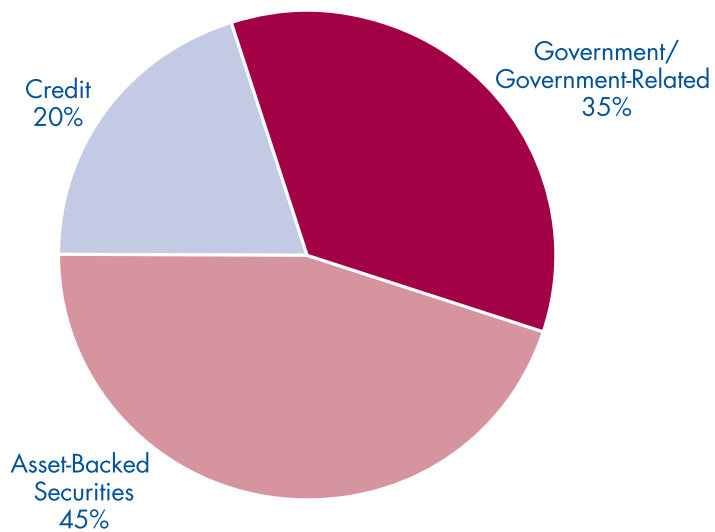
The **LBA Index** consists of high quality fixed-income securities with maturities of more than one year. The index is comprised of Treasury and Agency bonds, asset-backed securities, and corporate and non-corporate bonds. On December 31, 2007, the LBA Index included 9,133 notes and bonds. The average LBA Index current yield was 5.33%, which means that, on an annual basis, interest income equalled approximately 5.33% of the return of the LBA Index. The average duration (a measure of interest rate risk) of the LBA Index was 4.5 years, which means that a 1% increase (decrease) in interest rates could be expected to result in a 4.5% decrease (increase) in the price of a security. New issues are added continuously to the LBA Index, and older issues drop out as they move to within one year of maturity.

Barclays U.S. Debt Index Fund—The F Fund is invested in the Barclays U.S. Debt Index Fund. Because the LBA Index contains such a large number of securities, it is not feasible for the Barclays U.S. Debt Index Fund to invest in each security in the index. Instead, Barclays selects a large representative sample of the various types of mortgage-backed, U.S. Government, corporate, and foreign government securities included in the overall index. Within each sector, Barclays selects securities that, as a whole, are designed to match important index characteristics such as duration, yield, and credit rating. The performance of the U.S. Debt Index Fund is evaluated on the basis of how closely its returns match those of the LBA Index.

The F Fund invests in the Barclays U.S. Debt Index Fund by purchasing shares of the Barclays U.S. Debt Index Fund “E,” which, in turn, holds shares of the Barclays U.S. Debt Index Master Fund. As of December 31, 2007, F Fund holdings constituted \$12.3 billion of the U.S. Debt Index Master Fund, which itself held \$28.2 billion in securities.

Note: Participants’ interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with both civilian and uniformed services accounts, this rule applies to each account separately.)

LBA Index
Bond Market Sectors
December 31, 2007





C FUND

Common Stock Index Investment Fund

Fund Information

As of December 31, 2007

Net Assets
\$81.9 billion

2007 Administrative Expenses
\$0.15 per \$1,000
account balance,
.015% (1.5 basis points)

Benchmark Index
Standard & Poor's 500
Stock Index
www.standardandpoors.com

Asset Manager
Barclays Global Investors

Returns

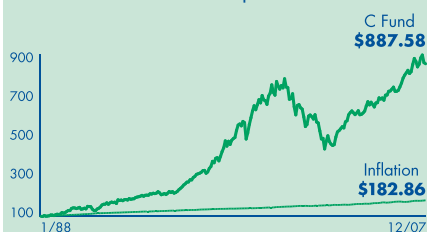
	C Fund*	S&P 500 Index
1-Year	5.54%	5.49%
3-Year	8.65%	8.62%
5-Year	12.81%	12.83%
10-Year	5.88%	5.91%
Since Inception	11.53%	11.82%

January 29, 1988

* After expenses

Growth of \$100

Since Inception

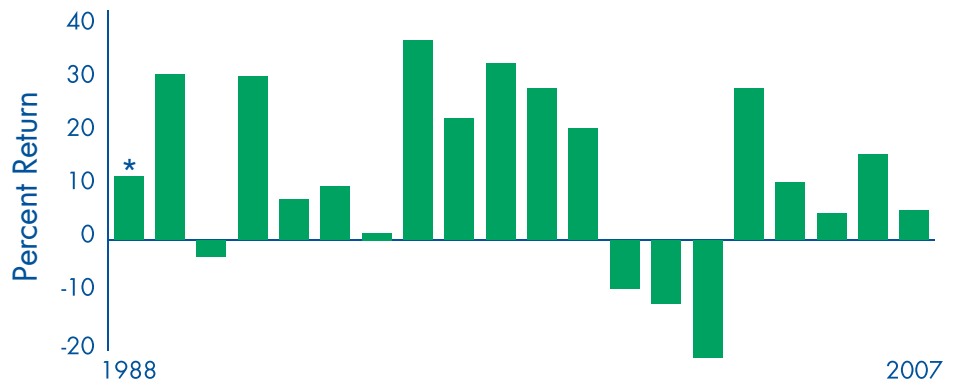


Key Features

- The C Fund offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.
- The objective of the C Fund is to match the performance of the Standard and Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.

C Fund Returns

Inception – 2007



* 1988 return shown is a partial year return.

S&P 500 Top Ten Holdings

as of December 31, 2007

Company

Exxon Mobil Corp.
General Electric
Microsoft Corp.
AT&T, Inc.
Procter & Gamble
Chevron Corp.
Johnson & Johnson
Bank of America Corp.
Apple, Inc.
Cisco Systems, Inc.

C FUND FACTS

By law, the C Fund must be invested in a portfolio designed to replicate the performance of an index of stocks representing the U.S. stock market. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Standard and Poor's 500 (S&P 500) Index, which tracks the performance of major U.S. companies and industries.

The **S&P 500 Index** is an index of 500 large to medium-sized U.S. companies that are traded in the U.S. stock markets. The index was designed by Standard & Poor's Corporation (S&P) to provide a representative measure of U.S. stock market performance. The companies in the index represent 130 sub-industries classified into the 10 major industry groups shown in the chart. (As of December 31, 2007, thirteen of the common stocks included in the index were Real Estate Investment Trusts (REITs), accounting for 1.01% of the index's market value.) The stocks in the S&P 500 Index represent 75% of the market value of the U.S. stock markets.

The S&P 500 is considered a "big company" index. As of December 31, 2007, the largest 100 companies in the S&P 500 represented approximately 66% of the index's market value. The S&P 500 Index includes 424 securities traded on the New York Stock Exchange and 76 securities that are traded on NASDAQ. The market value of the largest company in the index is approximately \$512 billion; the market value of the smallest company is approximately \$708 million.

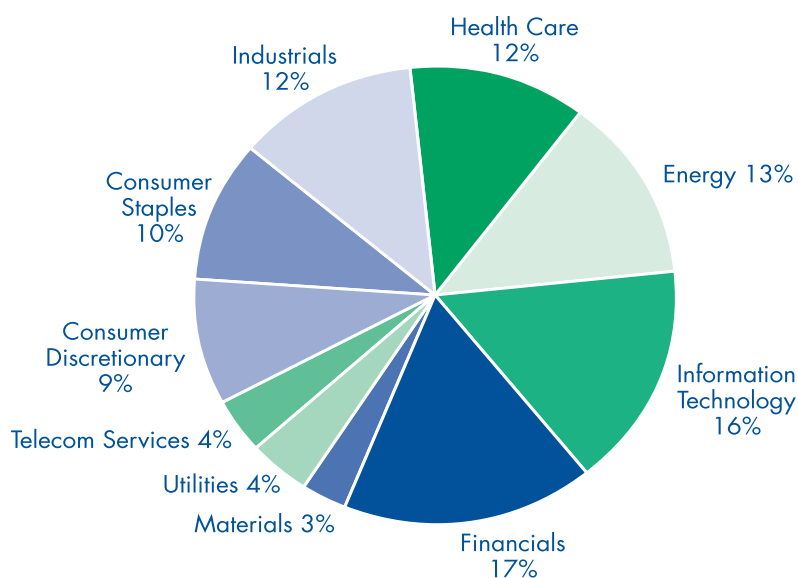
The S&P 500 Index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company management, and other companies, are excluded from the calculation. A company's weighting in the index is the float-adjusted market value of the company (that is, the share price multiplied by the number of freely traded shares outstanding) as a percentage of the combined float-adjusted market value of all companies in the index.

Barclays Equity Index Fund—The C Fund is invested in the Barclays Equity Index Fund. The C Fund holds all the stocks included in the S&P 500 Index in virtually the same weights that they have in the index. The performance of the Equity Index Fund is evaluated on the basis of how closely its returns match those of the S&P 500 Index. A portion of Equity Index Fund assets is reserved to meet the needs of daily client activity. This liquidity reserve is invested in S&P 500 Index futures contracts.

The C Fund invests in the Barclays Equity Index Fund by purchasing shares of the Barclays Equity Index Fund "E," which, in turn, holds shares of the Barclays Equity Index Master Fund along with a liquidity pool. As of December 31, 2007, C Fund holdings constituted \$79.4 billion of the Equity Index Master Fund, which itself held \$124.7 billion of securities.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with both civilian and uniformed services accounts, this rule applies to each account separately.)

S&P 500 Index Major Industry Groups December 31, 2007





S FUND

Small Capitalization Stock Index Investment Fund

Fund Information

As of December 31, 2007

Net Assets
\$19.5 billion

2007 Administrative Expenses

\$0.15 per \$1,000
account balance,
.015% (1.5 basis points)

Benchmark Index

Dow Jones Wilshire
4500 Completion Stock Index
www.wilshire.com or
www.djindexes.com

Asset Manager

Barclays Global Investors

Returns

	S Fund*	DJW 4500 Index
1-Year	5.49%	5.39%
3-Year	10.34%	10.16%
5-Year	17.78%	17.83%
10-Year	N/A	7.69%
Since Inception May 1, 2001	9.35%	9.39%

* After expenses

Growth of \$100

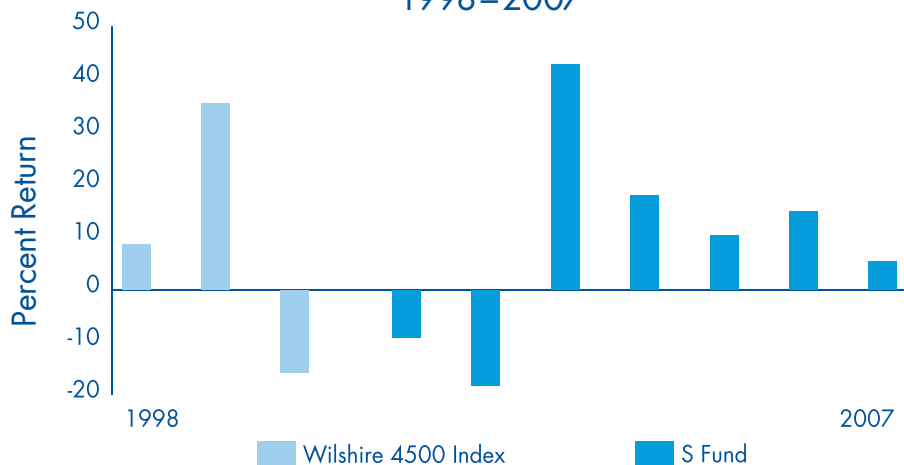
Since Inception



Key Features

- The S Fund offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of small and medium-sized U.S. companies.
- The objective of the S Fund is to match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500 Index.
- There is a risk of loss if the DJW 4500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.

S Fund Returns* 1998–2007



* For periods before the inception of the S Fund on May 1, 2001, the return shown is the return of the DJW 4500 Index (without deductions for management fees, trading costs, or administrative expenses); the 2001 return is a blended return.

DJW 4500 Top Ten Holdings

as of December 31, 2007

Company

Berkshire Hathaway, Inc. (Class A stock)
Genentech, Inc.
Accenture Ltd.
MasterCard, Inc. (Class A stock)
Liberty Media Holding Corp. Capital
Liberty Global, Inc. (Class A stock)
Bunge Ltd.
The Mosaic Co.
Seagate Technology, Inc.
McDermott International, Inc.

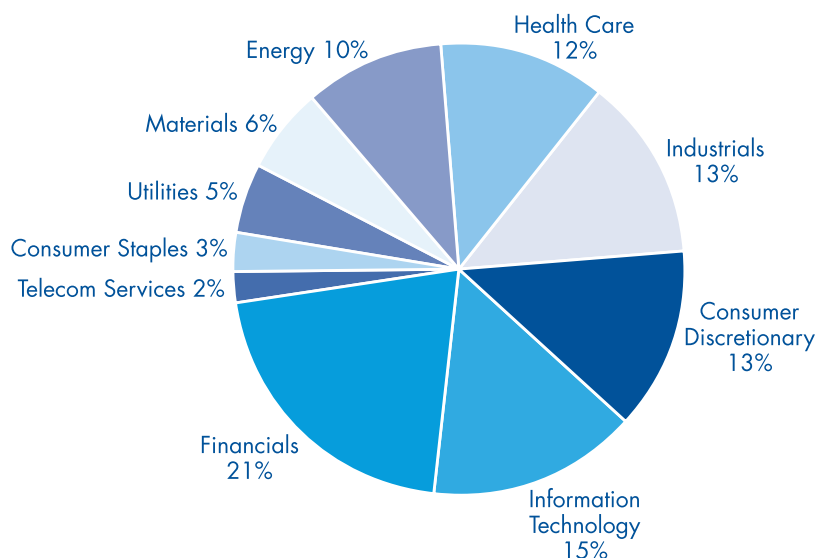
S FUND FACTS

By law, the S Fund must be invested in a portfolio designed to replicate the performance of an index of U.S. common stocks, excluding those that are held in the C Fund. The Federal Retirement Thrift Investment Board has chosen, as its benchmark, the Dow Jones Wilshire 4500 Completion (DJW 4500) Index, which tracks the performance of the actively traded non-S&P 500 stocks in the U.S. stock market.

The **DJW 4500 Index** is an index of all actively traded U.S. common stocks that are not included in the S&P 500 Index. The index is designed to be the broadest measure of the non-S&P 500 domestic stock markets. As of December 31, 2007, the index was comprised of 4,351 common stocks (including 111 Real Estate Investment Trusts (REITs), which accounted for 4.4% of the market value of the index). The DJW 4500 Index made up approximately 25% of the market value of the U.S. stock markets; the S&P 500 accounted for the other 75%. Thus, the combined S Fund and C Fund cover virtually the entire U.S. stock market.

The DJW 4500 Index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company management, and other companies, are excluded from the calculation. A company's weighting in the index is the float-adjusted market value of the company (that is, the share price multiplied by the number of freely traded shares outstanding) as a percentage of the combined float-adjusted market value of all companies in the index. As of December 31, 2007, the largest 100 companies in the DJW 4500 Index represented 27.5% of the index.

DJW 4500 Index Major Industry Groups December 31, 2007



Barclays Extended Market In-

dex Fund—The S Fund is invested in the Barclays Extended Market Index Fund. The DJW 4500 Index contains a large number of stocks, including illiquid stocks with low trading volume and stocks with prices lower than \$1.00 per share. Therefore, it is not efficient for the Barclays Extended Market Index Fund to invest in every stock in the index. The Barclays fund holds the stocks of most of the companies in the index with market values greater than \$1 billion. However, a mathematical sampling technique is used to select among the smaller stocks. Barclays' mathematical model considers size and industry group to match the industry weights in the index. Within each industry group, Barclays selects stocks that, together, are expected to produce a return that is very close to the industry's return in the DJW 4500 Index. The performance of the Extended Market Index Fund is evaluated on the basis of how closely its returns match those of the DJW 4500 Index. A portion of Extended Market Index Fund assets is reserved to meet the needs of daily client activity. This liquidity reserve is invested in futures contracts of the S&P 400 and Russell 2000 (other broad equity indexes).

The S Fund invests in the Barclays Extended Market Index Fund by purchasing shares of the Barclays Extended Market Index Fund "E," which, in turn, holds a liquidity pool and shares of the Barclays Extended Market Index Master Fund. As of December 31, 2007, S Fund holdings constituted \$18.8 billion of the Extended Market Index Master Fund, which itself held \$26.5 billion in securities.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with both civilian and uniformed services accounts, this rule applies to each account separately.)



I FUND

International Stock Index Investment Fund

Fund Information

As of December 31, 2007

Net Assets
\$30.4 billion

2007 Administrative Expenses
\$0.15 per \$1,000
account balance,
.015% (1.5 basis points)

Benchmark Index
Morgan Stanley Capital
International EAFE
Stock Index
www.msicbarra.com

Asset Manager
Barclays Global Investors

Returns

	I Fund*	EAFE Index
1-Year	11.43%	11.17%
3-Year	16.95%	16.83%
5-Year	21.50%	21.59%
10-Year	N/A	8.65%
Since Inception May 1, 2001	9.95%	10.12%

* After expenses

Growth of \$100

Since Inception

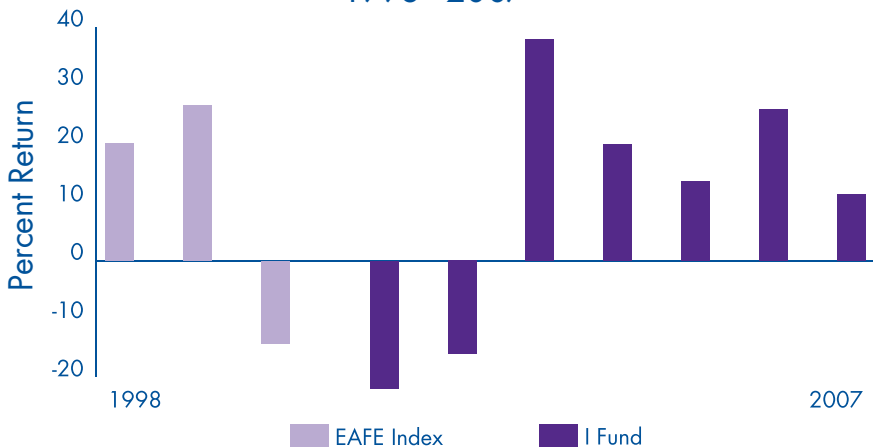


Key Features

- The I Fund offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of companies in developed countries outside the United States.
- The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index.
- There is a risk of loss if the EAFE Index declines in response to changes in overall economic conditions (market risk) or in response to increases in the value of the U.S. dollar (currency risk).
- Earnings consist of gains (or losses) in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.

I Fund Returns*

1998–2007



* For periods before the inception of the I Fund on May 1, 2001, the return shown is the return of the EAFE Index (without deductions for management fees, trading costs, or administrative expenses); the 2001 return is a blended return.

EAFE Top Ten Holdings

as of December 31, 2007

Company

- BP PLC
- Vodafone Group PLC
- HSBC Holdings (GB) PLC
- Nestlé SA
- Total SA
- Royal Dutch Shell PLC
- Nokia Corp. OYJ
- Toyota Motor Corp.
- GlaxoSmithKline PLC
- Telefonica SA

I FUND FACTS

By law, the I Fund must be invested in a portfolio designed to track the performance of an index of common stocks representing international stock markets outside of the United States. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index, which tracks the overall performance of the major companies and industries in the European, Australian, and Asian stock markets.

A significant component of the return of the EAFE Index (and the I Fund) results from changes in the value of the U.S. dollar relative to the currencies of the countries represented in the index. For example, the EAFE Index returned 11.17% in 2007, but that return included a decrease in the value of the U.S. dollar which increased the return by 7.63%.

The **EAFE Index**, designed by Morgan Stanley Capital International (MSCI), is an index of the equity markets of the developed world outside of the United States and Canada. It is the most widely used international stock index. As of December 31, 2007, the index covered the equity markets of 21 countries, as shown in the table.

The companies in the EAFE Index are large companies. The index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company management, and other companies, are excluded from the calculation. Also excluded are shares subject to foreign ownership limitations imposed by governments or companies. Within each country, a company's weighting is the float-adjusted market value of the company (that is, the share price multiplied by the number of freely traded shares outstanding) as a percentage of the combined float-adjusted market value of all companies in the index. Similarly, a country's weighting in the EAFE Index is the float-adjusted market value of its stock market as a percentage of the combined float-adjusted market value of all stock markets included in the EAFE Index.

Barclays EAFE Index Fund—The Barclays Fund holds common stocks of all the companies represented in the EAFE Index in virtually the same weights that they have in the index. The return on the Barclays Fund (and on the I Fund) will differ from that of the EAFE Index on days when Barclays makes a "fair valuation" adjustment to re-price the securities held by the fund. Fair valuation adjustments are made on days when there are large movements in either U.S. equity markets or currency exchange rates after the foreign markets have closed. Fair valuation prevents traders from exploiting "stale" prices, thus diluting the returns of other TSP participants who invest in the I Fund.

The performance of the EAFE Index Fund is evaluated on the basis of how closely its returns match those of the EAFE Index. A portion of EAFE Index Fund assets is reserved to meet the needs of daily client activity. This liquidity reserve is invested in futures contracts.

The I Fund invests in the Barclays EAFE Index Fund by purchasing shares of the Barclays EAFE Index Fund "E," which, in turn, holds a liquidity pool and shares of the Barclays EAFE Index Master Fund. As of December 31, 2007, I Fund holdings constituted \$29.6 billion of the EAFE Index Master Fund, which itself held \$60.3 billion of securities.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with both civilian and uniformed services accounts, this rule applies to each account separately.)

EAFE Index Country Composition December 31, 2007

Country	Percent of Index*	Number of Companies
Europe		
Austria	0.6	16
Belgium	1.2	22
Denmark	0.9	23
Finland	1.9	23
France	10.7	75
Germany	9.4	61
Greece	0.8	15
Ireland	0.6	14
Italy	4.0	40
Netherlands	2.8	24
Norway	1.1	22
Portugal	0.4	11
Spain	4.4	33
Sweden	2.3	49
Switzerland	6.7	39
United Kingdom	22.2	157
Europe	70.0%	624
Australasia/Far East		
Australia	6.5	88
Hong Kong	2.4	54
Japan	19.9	398
New Zealand	0.1	10
Singapore	1.1	37
Australasia/Far East	30.0%	587
Total EAFE Index	100.0%	1211

*Weight as a percentage of index (based on foreign inclusion factor, which reflects the free float available to foreign investors).

Source: Morgan Stanley Capital International

