FINANCIAL STATEMENTS
of the Thrift Savings Fund— 2008 and 2007

THRIFT SAVINGS PLAN

Clifton Gunderson

Independent Auditors' Report

Members of the Board and Executive Director
Federal Retirement Thrift Investment Board
Washington, DC

We have audited the accompanying statement of net assets available for benefits of the Thrift Savings Fund (the Fund) as of December 31, 2008, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Fund as of December 31, 2007 were audited by other auditors whose report dated March 31, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Fund as of December 31, 2008, and the changes in its net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Calverton, Maryland
April 9, 2009

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THRIFT SAVINGS FUND

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2008 AND 2007
(In thousands)

ASSETS	**2008**	**2007**
Investments, at fair value:		
U.S. Government Securities Investment Fund	**$108,215,650**	$83,912,831
Barclays U.S. Debt Index Fund	**13,869,936**	12,863,720
Barclays Equity Index Fund	**48,206,172**	79,382,090
Barclays Extended Market Index Fund	**10,920,258**	18,827,536
Barclays EAFE Index Fund	**14,115,849**	29,551,215
Participant loans	**6,702,485**	6,268,493
Total investments	**202,030,350**	230,805,885
Receivables:		
Employer contributions	**224,213**	220,565
Participant contributions	**683,116**	702,945
Total receivables	**907,329**	923,510
Fixed assets:		
Furniture, equipment, and leasehold improvements, net of accumulated depreciation and amortization of $9,426 in 2008 and $14,027 in 2007	**7,787**	4,794
Data processing software, net of accumulated amortization of $28,695 in 2008 and $26,194 in 2007	**21,785**	22,260
Total fixed assets	**29,572**	27,054
Other assets:	**5,599**	3,522
Total assets	**202,972,850**	231,759,971
LIABILITIES		
Accounts payable	**11,903**	15,011
Accrued payroll and benefits	**983**	772
Benefits and participant loans payable	**74,496**	79,616
Deferred rent and lease credits	**330**	345
Due for securities purchased	**41,600**	57,661
Total liabilities	**129,312**	153,405
FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	**(4,571)**	(4,393)
NET ASSETS AVAILABLE FOR BENEFITS	**$202,838,967**	$231,602,173

THRIFT SAVINGS FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands)

ADDITIONS	**2008**	**2007**
Investment income (loss):		
U.S. Government Securities Investment Fund	**$3,584,175**	$3,712,079
Net appreciation (depreciation) in fair value of Barclays funds:		
Barclays U.S. Debt Index Fund	**676,261**	814,114
Barclays Equity Index Fund	**(28,589,732)**	4,131,733
Barclays Extended Market Index Fund	**(6,901,971)**	824,469
Barclays EAFE Index Fund	**(11,386,827)**	2,547,471
Interest income on participant loans	**283,837**	262,440
Asset Manager rebates and interest	**65,074**	45,521
Less investment expenses	**(9,415)**	(13,862)
Net investment income (loss)	**(42,278,598)**	12,323,965
Contributions:		
Participant	**16,052,385**	15,623,964
Employer	**5,714,852**	5,276,183
Total contributions	**21,767,237**	20,900,147
Total additions	**(20,511,361)**	33,224,112
DEDUCTIONS		
Benefits paid to participants	**7,943,912**	7,939,772
Administrative expenses	**90,110**	78,645
Participant loans declared taxable distributions	**217,645**	208,031
Total deductions	**8,251,667**	8,226,448
CHANGE IN FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	**(178)**	274
Net increase (decrease)	**(28,763,206)**	24,997,938
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	**231,602,173**	206,604,235
End of year	**$202,838,967**	$231,602,173

See notes to financial statements and Independent Auditors' Report.

THRIFT SAVINGS FUND
Notes to Financial Statements
Years Ended December 31, 2008 and 2007

(1) PLAN DESCRIPTION

The following description is provided for general information purposes. Participants should refer to the *Summary of the Thrift Savings Plan* 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 under 401(k) plans. 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 December 31, 2008, there were approximately 4.0 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. All participants can contribute up to 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 percent of designated special pay, incentive pay, and bonuses. The Federal Government or uniformed services does not match amounts contributed by CSRS employees or uniformed services members.

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 Index 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.

In 2005, the Agency initiated the TSP Lifecycle Funds (L 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 before 2015, 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. These asset allocations 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. The Agency, with the help of Mercer, reviews the assumptions underlying the asset allocations at least annually.

Participants may allocate any portion of their contributions among the five investment funds and the TSP Lifecycle Funds. Also, participants may reallocate their entire account balance among the five investment funds and the TSP Lifecycle Funds through the interfund transfer process. In 2007, participants could make daily interfund transfers, without an annual 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. The first two (2) interfund transfers per calendar month are unrestricted. After that, participants may move money only from the F, C, S, and I Funds and the TSP Lifecycle 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.

Forfeitures

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 $39,671,437 in 2008 and $31,689,000 in 2007. All forfeitures are used by the Plan daily to pay accrued administrative expenses. The increase in forfeitures in 2008 is primarily due to the number of FERCCA cases resolved in 2008, resulting in approximately $27.8 million being forfeited. When a participant's retirement coverage is corrected from FERS to CSRS, any excess agency contributions are forfeited to the Plan. If the forfeitures (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 amount of 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 2008, loan fees of $11,978,000 were used to offset administrative expenses, down from $13,020,450 in 2007.

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 as loan payments are made to the account.

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 for the last three trade dates of each month are recorded when withdrawn 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 years ended December 31, 2008 and 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 Barclays U.S. Debt Index Master Fund are passively managed commingled funds that track the Barclays Capital U.S. Aggregate Bond Index.

As of December 31, 2008, the Barclays U.S. Debt Index Master Fund contained approximately 43 percent mortgage-backed securities (39 percent securities guaranteed by the Government National Mortgage Association, Fannie Mae, and Freddie Mac; 4 percent commercial mortgage-backed securities), 21 percent investment-grade corporate securities (U.S. and non-U.S.), 26 percent Treasury securities, 9 percent Agency securities, and 1 percent asset-backed securities and taxable municipals.

As of December 31, 2008, the Barclays U.S. Debt Index Master Fund held 4,798 securities totaling $27.7 billion, with a weighted-average life of 5.59 years. The value of the Barclays U.S. Debt Index Fund "E" as of December 31, 2008 was $19.6 billion, which included shares of the Master Fund totaling $19.6 billion. Unlike the other Master Funds, U.S. Treasury Securities provide liquidity to the U.S. Debt Index "E" Fund. The F Fund holdings constituted $13.9 billion of the December 31, 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 December 31, 2008, the Barclays Equity Index Master Fund held $77.3 billion of securities. The value of the Barclays Equity Index Fund "E" as of December 31, 2008 was $65.6 billion, which included shares of the Master Fund totaling $64.2 billion, plus liquidity reserves. The C Fund holdings constituted $48.2 billion of the December 31, 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 Dow Jones Wilshire 4500 Completion 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 December 31, 2008, the Barclays Extended Market Index Master Fund held $16.2 billion of securities. The value of the Barclays Extended Market Index Fund "E" as of December 31, 2008 was $13.6 billion, which included shares of the Master Fund totaling $13.1 billion, plus liquidity reserves. The S Fund holdings constituted $10.9 billion of the December 31, 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 December 31, 2008, the Barclays EAFE Index Master Fund held $32.7 billion of securities. The value of the Barclays EAFE Index Fund "E" as of December 31, 2008 was $14.1 billion, which included shares of the Master Fund totaling $13.0 billion, plus liquidity reserves. The I Fund holdings constituted $14.1 billion of the December 31, 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.

Change in Accounting Principles

Effective January 1, 2008, the Plan adopted FASB Statement No. 157, *Fair Value Measurements Effective January 1, 2008* (FAS 157), which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, FAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The adoption of FAS 157 did not have a material impact on the Plan's financial statements.

Fair Market Valuations

In September 2006, The Financial Accounting Standards Board released FASB Statement No. 157, *Fair Value Measurements*, and later released Financial Staff Position 157-3 (together, FAS 157). FAS 157 establishes a fair valuation hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels: Level I, Level II, and Level III. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level I) and the lowest priority to unobservable inputs (Level III). Barclays Global Investors, N.A. (BGI) has worked with pricing vendors to confirm its understanding of their pricing methodologies and has consulted with BGI's independent auditors, PricewaterhouseCoopers LLP, to perform necessary analysis to support BGI's approach to comply with FAS 157.

Pursuant to BGI's global pricing policy, to the extent possible, securities and other assets held by Funds are valued using independent market quotations. An "independent market quotation" for a security or other asset is defined as a quoted price in an active market for an identical security or asset (a "Level I Price").

As a general principal, the current "fair market value" of a security or other asset is the amount that a Fund might reasonably expect to (i) receive upon the sale of the security or asset; or (ii) pay to transfer the liability associated with the security or asset in an orderly transaction between market participants on the date on which the security or asset is being valued. In the event that a Level I Price is not readily available for a given type of security or asset, the fair value of the security or other asset is determined by using pricing inputs that are either directly or indirectly observable on the valuation date for the security or asset, which may include the use of models or other valuation methodologies (a "Level II Price").

Level I Prices and Level II Prices are provided by broker dealers or by pricing providers, services, and vendors (together, "pricing sources") approved by the BGI Global Pricing Committee or its delegates. The pricing sources approved by the BGI Global Pricing Committee vary according to security or asset type and include, but are not limited to, Reuters, Bloomberg, IDC, and Mark-it Partners.

The net asset value of a Fund is calculated based on the compilation of primarily observable market information. The number of units of the Fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the Fund. Accordingly, pursuant to FAS 157, the unit values for all BGI Funds are classified as Level II Prices.

Fair Value Measurements at Reporting Date
December 31, 2008
(in thousands $) Using

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Government Securities Investment Fund	$ 108,216	$ –	$ –	$ 108,216
Barclays U.S. Debt Index Fund	–	13,870	–	13,870
Barclays Equity Index Fund	–	48,206	–	48,206
Barclays Extented Market Index Fund	–	10,920	–	10,920
Barclays EAFE Index Fund	–	14,116	–	14,116
Participant Loans	–	6,702	–	6,702

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 December 31, 2008 and 2007, respectively, 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 $45.7 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 December 31, 2008 and 2007, respectively.

Investment Summary by Fund as of December 31, 2008
(in thousands $)

Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	$101,807,698					$101,807,698
F Fund		$12,474,799				12,474,799
C Fund			$42,633,886			42,633,886
S Fund				$8,854,000		8,854,000
I Fund					$11,082,354	11,082,354
L Income	713,656	57,699	117,361	29,808	48,269	966,793
L 2010	2,517,504	252,424	697,376	195,091	339,205	4,001,600
L 2020	2,106,974	501,101	2,104,828	721,327	1,159,375	6,593,605
L 2030	781,376	345,581	1,485,984	604,684	813,356	4,030,981
L 2040	231,008	260,185	1,112,558	481,830	639,503	2,725,084
Differences (*)	57,434	(21,853)	54,179	33,518	33,787	157,065
Statement of Net Assets	$108,215,650	$13,869,936	$48,206,172	$10,920,258	$14,115,849	$195,327,865

(*) *Differences are a result of timing differences, including investment transactions not settled as of December 31, 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 thousands $)

Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	$75,915,139					$75,915,139
F Fund		$10,951,340				10,951,340
C Fund			$71,991,205			71,991,205
S Fund				$16,212,280		16,212,280
I Fund					$25,384,267	25,384,267
L Income	916,283	74,502	147,524	36,984	61,867	1,237,160
L 2010	3,037,959	350,388	1,072,495	305,385	559,717	5,325,944
L 2020	2,700,475	688,523	2,840,620	975,286	1,596,202	8,801,106
L 2030	920,922	439,006	1,836,586	749,590	1,023,902	4,970,006
L 2040	265,891	349,094	1,452,472	621,945	857,219	3,546,621
Differences (*)	156,162	10,867	41,188	(73,934)	68,041	202,324
Statement of Net Assets	$83,912,831	$12,863,720	$79,382,090	$18,827,536	$29,551,215	$224,537,392

(*) *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 $6.9 million and $6.0 million for the years ended December 31, 2008 and 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 did not have significant impact on the Fund's financial position. On August 10, 2007, the Agency published a proposed 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 and uniformed service branches to automatically enroll newly hired (and rehired) eligible employees and service members, unless the employee/member 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's proposal, as amended, was approved by the House of Representatives on July 30, 2008. It was not considered by the Senate before the conclusion of the 110th Congress. We expect further consideration during the 111th Congress.

(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.