



I FUND

International Stock Index Investment Fund

Fund Information

Net Assets

as of December 31, 2004
\$7.3 billion

2004 Administrative Expense Ratio

.06% (6 basis points)
\$0.60 per \$1,000
account balance

Benchmark Index

Morgan Stanley Capital
International EAFE
stock index
www.msci.com

Asset Manager

Barclays Global Investors

Returns

as of December 31, 2004

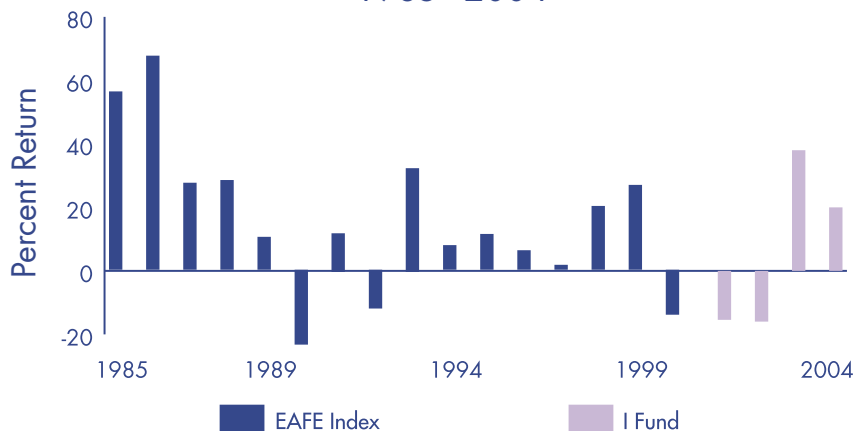
	I Fund ¹	EAFE Index ²
1 Year	20.0	20.2
5 Year	N/A	-1.1
10 Year	N/A	5.6
Since Inception May 1, 2001	4.5	4.9

¹After Expenses ²Without Deductions

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 U.S.
- The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) index, a broad international market index, made up of stocks of companies in 21 developed countries.
- 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 and losses in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.

I Fund Returns* 1985-2004



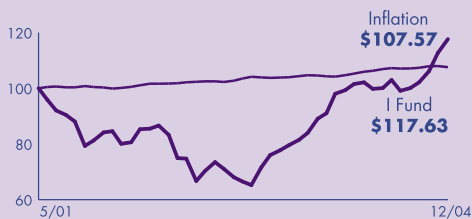
* For periods before the inception of the I Fund, the rate shown is the return of the EAFE index (without deduction for management fees, trading costs, or administrative expenses).

EAFE Top Ten

Company	Percent of Index
BP	2.36
HSBC Holdings (GB)	2.08
Vodafone Group	2.00
GlaxoSmithKline	1.54
Total	1.43
Novartis	1.34
Royal Dutch Petroleum Company	1.34
Toyota Motor Corporation	1.31
Nestlé	1.18
Royal Bank of Scotland	1.18

Growth of \$100

Since Inception



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 returns on 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 earned 20.2% in 2004, but part of that return reflected a decline in the value of the U.S. dollar (which increased the return). If the value of the dollar had been unchanged during 2004, the return would have been 12.7%.

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, 2004, 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 reprice 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 exchange rates after the foreign markets have closed. Fair valuation prevents traders from “market timing” by making investment decisions based on “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, without the effect of fair valuation. 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 on the local stock indexes of the countries in the EAFE index. These include the United Kingdom's FTSE 100, Germany's DAX, France's CAC 40, Australia's ALL ORDS, Japan's Nikkei 300, and Hong Kong's Hang Seng.

The I Fund invests in the Barclays EAFE Index Fund by purchasing shares of the Barclays EAFE Index Fund “E,” which in turn holds primarily shares of the Barclays EAFE Index Master Fund. As of December 31, 2004, I Fund holdings constituted \$7.0 billion of the EAFE Index Master Fund, which itself held \$42.5 billion of securities.

EAFE Index Country Composition December 31, 2004

Country	Percent of Total Value of Index	Number of Companies
Europe		
Austria	0.4	13
Belgium	1.3	21
Denmark	0.8	20
Finland	1.4	19
France	9.4	57
Germany	7.0	47
Greece	0.6	20
Ireland	0.9	15
Italy	4.3	41
Netherlands	4.8	26
Norway	0.6	14
Portugal	0.4	10
Spain	4.1	32
Sweden	2.5	44
Switzerland	6.8	35
United Kingdom	25.0	152
Europe	70.3	566
Australasia/Far East		
Australia	5.1	71
Hong Kong	1.7	38
Japan	21.9	344
New Zealand	0.2	16
Singapore	0.8	35
Australasia/Far East	29.7	504
Total EAFE Index	100%	1070

Source: Morgan Stanley Capital International