



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 18, 2006

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on December 18, 2006, at 10:00 a.m., Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Terrence A. Duffy, of Illinois, member, Gary A. Amelio, Executive Director; Thomas K. Emswiler, Secretary and General Counsel; Gregory T. Long, Director of Product Development; Tracey A. Ray, Chief Investment Officer; and Thomas J. Trabucco, Director, External Affairs.

1. Approval of the minutes of the November 20, 2006 Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the November 20, 2006 Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on November 20, 2006, be approved.

2. Thrift Savings Plan activity report by the Executive Director.

a. Monthly Performance Numbers.

Mr. Long reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). He noted that the plan was over the \$200 billion mark and that the number of participants increased by approximately 10,000 in November. The number of outstanding loans was up slightly. TSP participation by FERS employees decreased slightly, TSP participation by CSRS employees continues to decline as members of this group retire, but TSP participation by members of the uniformed services increased by approximately 13,000. Chairman Saul noted that TSP participation by members of the uniformed services reserve com-

ponents was lower than active duty members and asked whether members of the reserve components were restricted to contributing their military pay or whether they could also contribute the civilian salary? He was told they could only contribute their military pay. Chairman Saul and Mr. Sanchez both remarked on the outstanding success of the Navy in achieving a participation rate of nearly 50 percent.

b. Monthly Investment Activity Report.

Ms. Ray reviewed her December 8, 2006 memorandum (attached), on the performance of the G, F, C, S, I, and L Funds during November 2006.

Ms. Ray noted that tracking error remained low except for the S and I Funds. The S Fund's tracking error was primarily caused by the sampling technique used by the Fund and the I Fund's tracking error was primarily caused by taxes. She noted that the G Fund was 44 basis points lower than the 3 Month T-Bill because of the shape of the yield curve. L Fund performance was positive because the stock market was up; total balances in the L Funds is over \$16 billion and the number of participants invested in the L Fund is up to 418,000. Chairman Saul noted that the increase in L Fund participation was terrific because the L Funds are the right investment vehicle for most TSP participants. Mr. Sanchez noted that the fourth consecutive month money had been transferred out of the conservative G Fund into Funds that usually generate a higher rate of return.

Mr. Whiting asked whether the fact that almost 11 percent of TSP participants were invested in the L Funds but that the L Funds contained less than 11 percent of TSP assets meant that younger participants were investing in the L Funds. He was told that we had not yet examined this in detail and that we could not make such inferences. We do know that members of the uniformed services are investing slightly higher percentages in the L Funds.

c. Legislative Report.

Although a legislative report was not formerly offered, Mr. Amelio asked whether any members had any questions regarding legislative activity.

Chairman Saul remarked that the Agency needed to give serious attention to requesting legislation to make the L Funds the default fund in 2007. Mr. Amelio agreed.

Mr. Fink noted that the Agency's responses to the questions posed by the GAO were very informative and asked whether we had heard anything in response. Mr. Amelio replied that we had not heard anything in response.

Mr. Sanchez reported that he had seen an article that stated Bank of America is considering buying Barclays. Mr. Amelio stated that he had seen similar articles and that he believed them to be speculative. He couldn't say at this point how such an event would affect TSP operations.

### 3. Old Business.

#### Participant Survey.

Mr. Fink commented that he was pleased seeing that the preliminary results showed a high level of satisfaction with the TSP.

Mr. Long reported that the survey response rate was approximately 20 percent. This will allow us to draw conclusions at the broadest levels and we should receive a report from Watson Wyatt by the end of the year.


Preliminary results show that only 3 percent of participants are dissatisfied with the TSP. It appears that participants would prefer the L Funds to be the default fund rather than the G Fund. Chairman Saul asked whether this preference was by a large amount? Mr. Long responded that 49 percent either strongly preferred or preferred the L Funds as the default Fund as compared to 17 percent who strongly preferred or preferred the G Fund as the default Fund. Chairman Saul stated that, given this and the fact we have had a highly successful year's experience with the L Funds, common sense tells you to go forward with a legislative proposal to make the L Funds the TSP's default funds.

Mr. Long concluded by saying the 20 percent response rate would likely be insufficient to allow us to draw conclusions between separate cohorts, for example, in the Army or Navy or younger as compared to older participants. As a consequence, we plan to conduct additional, targeted surveys. It will likely be March or April before the additional surveys are

complete and the data analyzed. We will discuss the results from the current survey at the January meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 10:23 a.m.

MOTION: That this meeting be adjourned.

  
Thomas K. Emswiler  
Secretary

NOTE: Ace-Federal Reporters, Inc. made a verbatim transcript of this meeting.

#### Attachments

1. Thrift Savings Fund Statistics
2. October 2006 Performance Review - G, F, C, S, and I Funds