



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 21, 2008

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, by telephone, convened a meeting of the Board members on July 21, 2008, at 10:05 a.m., Eastern 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, by telephone, Thomas A. Fink of Alaska, member; by telephone, Alejandro M. Sanchez of Florida, member; by telephone, Gordon J. Whiting of New York, member; Gregory T. Long, Executive Director; Thomas K. Emswiler, Secretary and General Counsel; Mark A. Hagerty, Chief Information Officer; Pamela-Jeanne Moran, Director, Participant Services; James B. Petrick, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; and Renée Wilder, Director, Research and Strategic Planning.

1. Approval of the minutes of the June 30, 2008 Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the June 30, 2008 Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on June 30, 2008, be approved.

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

a. Miscellaneous Matters.

Mr. Long reported that he had testified at two Congressional hearings since the Board last met. Legislation was introduced that will be discussed more fully in the legislative report. Mr. Long noted that the markets had been volatile during this period and that there had been some movement by the participants from the equity funds to the G Fund, but nothing dramatic.

a. Monthly Participation Activity.

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). She noted that contributions remained steady but that, due to the declines in the markets, total assets under management had declined by 3.6 percent to \$225.7 billion. The number of participants remains steady at 3.9 million, but the participation rate fell slightly. This was due to an increase in Federal employees, who, while receiving Agency Automatic (1%) Contributions had yet to start their own contributions. The number of uniformed service participants decreased from approximately 608,000 to 601,000. The decrease was in the Ready Reserve; Active Duty components either remained steady or increased slightly. The number of TSP loans increased slightly, but this does not reflect an acceleration in loans relative to the participant base or a meaningful increase in outstanding loan balances.

b. Legislative Report.

Mr. Long reported that the House Committee on Oversight and Government Reform had approved TSP legislation. The legislation did not include a provision that the Board and the Employee Thrift Advisor Committee (ETAC) had objected to which would have allowed the Board to unilaterally add new investment funds. It would allow the Board to add a mutual fund window after consultation with ETAC. Chairman Saul asked whether the Board was required to add a mutual fund window and was told that it was not required to do so. The legislation would allow the Board to set the default fund as some fund other than the G Fund (this addresses some of the concerns raised by the Department of Defense and American Federation of Government Employees representatives to the ETAC). It requires us to add a Roth feature but does not specify a time line for doing so. Mr. Long concluded that we appreciate the willingness of committee staff to work with us and to accommodate the concerns that had been expressed.

Mr. Fink asked how Mr. Long had testified regarding adding a Roth feature. Mr. Long replied that he didn't specifically testify on the proposal. However, he noted that adding a Roth feature would be expensive and would add complexity to the TSP, but would benefit some groups. We are still studying the matter.

c. Quarterly Investment Policy Review.

Ms. Ray reviewed the July 11, 2008 memorandum (attached), entitled "June 2008 Performance Review - G, F, C, S, I, and L Funds."

She noted that the equity indices fell between 7.5 and 8.5 percent in June. There was some tracking error in the Fixed Income Fund and in the Small to Mid-Cap funds due to the sampling technique used by each fund. The I Fund has outperformed the index for the year-to-date by 26 basis points due to taxes (the index is net of taxes but we do not pay taxes). Despite the volatility in the markets we have not seen significant increases in the dollar amounts traded.

The G Fund rate for June was 3 and 7/8 percent. Fund performance remains negative in July but has improved significantly from earlier in the month. As you would expect, given the declines in the equity markets, the 2040 Fund was the worst performing L Fund and the L Income Fund was the best performing L Fund.

Interfund transfers for the month remained under 100,000--a trend that has continued since the Agency introduced interfund transfer limitations on May 1st. The number of participants investing in the L Funds continues to increase.

There were no exceptions to Barclays' proxy voting policies.

After this discussion, the members made, seconded, and adopted the following resolution by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. § 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund (5 U.S.C. § 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund,

and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

Mr. Long stated that he testified before the Senate Aging Committee on "leakage" from 401(k) plans. Private sector plans have experienced significant increases in loans and in in-service withdrawals recently. TSP loans and in-service withdrawals have increased, but not significantly. This reflects well on the maturity of the Federal workforce.

d. Quarterly Vendor Financial Report.

Mr. Petrick stated he would review, by exception, the July 11, 2008 memorandum entitled "Quarterly Financial Assessment of TSP's Primary Vendors—July 2008" (attached). The Board members had no questions on the memorandum.

e. Outside Counsel Review of Barclays Global Investors.

Mr. Emswiler updated the Board on outside counsel's review of the potential risk of loss to the assets of the TSP in the event of the theoretical insolvency of BGI or rogue trading. Outside counsel is conducting a very thorough review. As a consequence, outside counsel will complete the report prior to the next Board member meeting rather than, as anticipated, this meeting. The first draft of the report indicates that TSP assets are safeguarded and that BGI is fully complying with applicable requirements. Chairman Saul asked whether outside counsel had made any interim recommendations and was told that outside counsel had not. Chairman Saul then stated it sounds as if it is a true custodial arrangement and was told that it is. Mr. Long apologized for the delay in completing the report and added that it will be a lengthy report that will give the members confidence that TSP assets are being managed appropriately.

Chairman Saul stated that he was not concerned by the delays because he wants to ensure that the study was done properly.


3. Closed session.

On a vote taken by the Secretary before the meeting, the members closed the meeting at 10:20 a.m. for a discussion of confidential vendor financial data.

At 10:30 p.m., upon completion of the executive session, the members reconvened the open portion of meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 10:30 a.m.

MOTION: That this meeting be adjourned.



Thomas K. Emswiler
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. June 2008 Performance Review - G, F, C, S, I, and L Funds
3. Quarterly Financial Assessment of TSP's Primary Vendors—July 2008