



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 17, 2008

Thomas A. Fink, Acting Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 17, 2008, at 9:04 a.m., Eastern Time. The meeting was held at the Board's offices at 1250 H Street, N.W., Washington, D.C. Parts of the meeting were open to the public and parts of the meeting were closed to the public. In attendance were 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 Thomas J. Trabucco, Director, External Affairs.

1. Approval of the minutes of the February 19, 2008 Board member meeting.

Chairman Fink entertained a motion for approval of the minutes of the February 19, 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 February 19, 2008, be approved.

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

Prior to the formal reports, Mr. Long stated that April is Financial Literacy month. We have produced a poster that will be distributed to the agencies to make TSP participants aware of this and will also post information about it on the TSP website.

a. Monthly Participant Activity Report.

Mr. Long reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). Total assets under management have fallen to \$222.9 billion due to poor market performance. The total number of TSP participants has continued to increase (up 9,000 from the prior month to 3,871,000).

The number of outstanding loans is about the same and expenses remain low. We saw an unusually large increase in the number of uniformed service participants this month (about 14,000). Mr. Sanchez mentioned that he was pleased to see that the Navy's active duty participation rate was over 50 percent and that the participation rates for the other services were all over 25 percent.

Mr. Long updated the members on interfund transfer activity. He gave the members a memorandum he had provided to the Employee Thrift Advisory Council (attached) and noted that the Agency has published a proposed interfund transfer regulation and that we were currently receiving and evaluating comments related to that proposed regulation. Pursuant to the previously published interim regulation, we advised 3,775 participants that, unless they made no more than three interfund transfers in February, they might be required to submit their interfund transfer requests by mail. All but 549 of this group complied with this notice. Mr. Sanchez stated that, with approximately four million participants, to have all but 549 voluntarily stop demonstrates that the Agency has done an outstanding job in educating participants about the need to decrease this activity in order to reduce costs. Chairman Fink asked whether there have been any complaints about the interim IFT policy. A few participants have complained and we have received about a dozen constituent inquiries that have been forwarded to us from members of Congress.

b. Monthly Investment Performance Report.

Ms. Ray reviewed the March 7, 2008 memorandum (attached), entitled "February 2008 Performance Review - G, F, C, S, I, and L Funds."

She noted that the International Fund underperformed its index by 211 basis points due to fair value adjustments. Sixty-two basis points were due to a reversal of a fair value adjustment last month. These large adjustments are due to market volatility, but they revert to normal the day after a fair value adjustment. She was pleased to report that, despite continued volatility, the dollar amounts traded in the equity funds were much lower in February than in January and were lower than any month in 2007. F Fund trading activity was higher than many months in 2007, but was approximately \$1 billion less than in January. Trading in the C Fund and S Funds were both more than \$1 billion lower than January. Trading in the I Fund was under \$1 billion for the first time in many months. These re-

ductions are likely attributable to both publicity regarding limiting interfund transfers and to large amounts having been transferred into the G Fund and remaining invested there.

All the equity funds posted negative returns in January. All funds are tracking very closely to BGI's funds. The L Funds all posted negative returns in January, but none were down nearly as much as the C Fund. Year-to-date, all L Funds have outperformed all equity funds. Since inception, all L Funds have outperformed all underlying funds with the exception of the I Fund. Mr. Long noted that, even though these have been times of poor market performance, it was good that the L Funds were performing as expected. Transfers into the G Fund decreased from \$4.4 billion in January to \$810 million and money was transferred into the L Funds in February, reversing the outflow in the previous month. Mr. Long added that the transfers in January reflected a flight to quality. We now have 575,000 participants with money invested in the L Funds.

Chairman Fink asked about BGI's securities lending program. He said he knows BGI provides collateral, but he was concerned this might not be adequate when the markets are so volatile. Ms. Ray replied that the collateral is very high quality and that more than 90 percent of it is cash. Chairman Fink pointed out that the value of Bear Stearns went from \$3 or \$4 billion to approximately \$200 million overnight. He asked for, and was promised, a memorandum from BGI explaining their approach to evaluating counterparty risk in these volatile times and whether they are taking extra precautions.

c. Legislative Report.

Mr. Trabucco reported that Congress was in recess but would reconvene in April. They will convene a four month legislative session and will need to complete most of their work during this session due to the upcoming national party conventions. Mr. Sanchez asked what type of legislative activity Mr. Trabucco expected Congress to undertake during this session and was told mostly appropriations.

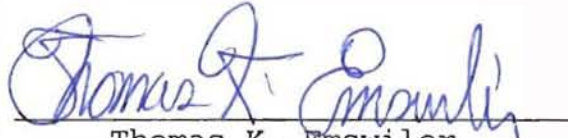
3. Closed session.

On a vote taken by the Secretary before the meeting, the members closed the meeting at 9:33 for a discussion of procurement and personnel matters.

At 10:04, upon completion of the closed 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 Fink adjourned the meeting at 10:05 a.m.

MOTION: That this meeting be adjourned.


Thomas K. Emswiler
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. Memorandum to the Employee Thrift Advisory Council
3. February 2008 Performance Review - G, F, C, S, I, and L Funds