



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 18, 2006

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 18, 2006, at 9:02 a.m., Eastern Daylight 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 (by telephone); Alejandro M. Sanchez of Florida, member; Terrence A. Duffy of Illinois, member; Gary A. Amelio, Executive Director; Thomas K. Emswiler, Secretary and General Counsel; Mark A. Hagerty, Chief Information Officer; Gregory T. Long, Director of Product Development; 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 August 21, 2006, Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the August 21, 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 August 21, 2006, be approved.

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

a. Monthly Performance Numbers.

Mr. Long reviewed his memorandum on TSP statistics. See "Thrift Savings Fund Statistics" (attached). Mr. Saul commented that the TSP would likely be a \$200 billion plan by the end of the year and remarked that the TSP had only \$98 billion under management when he was appointed Chairman in late 2002.

Mr. Sanchez remarked how pleased he was that each uniformed service was participating at close to or in excess of a 33% participation rate. Mr. Saul asked if Mr. Amelio had had any additional conversations with the Marine Corps leadership and was told that we were waiting to hear back from them. Mr. Amelio added that we are working on a bulletin for parents of potential recruits that he hopes will assist the uniformed services with their recruiting efforts. Mr. Whiting asked whether we could distribute TSP material in USO lounges. Ms. Moran informed him that we are trying to tap into military family resource groups and also to participate in conferences where uniformed services' support groups participate. These efforts included participating in a conference for master sergeants. Mr. Sanchez commented on the great value of these grass roots efforts.

b. Pension Protection Act.

Mr. Emswiler noted that the senior staff will provide a complete review of the Pension Plan Protection Act (PPA) in November. However, he wanted to provide a brief review of provisions of law that the PPA made permanent. These provisions affect the TSP and were introduced by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). They were due to expire in 2010 (some earlier).

I.R.C. 415 limit. The Internal Revenue Code (I.R.C.) used to limit total contributions to the lesser of \$30,000 or 25% of compensation.

- The EGTRRA raised the limit to the lesser of \$40,000 or 100 percent of compensation. It also indexed the \$40,000 amount for inflation.

- The PPA made this change permanent.

402(g) limit. The I.R.C. used to limit elective deferrals to \$10,500.

- The EGTRRA raised the limit, by increments, to \$15,000 as indexed for inflation.

- The PPA made this change permanent

Catch-up Contributions.

- The EGTRRA created catch-up contributions for participants age 50 and older.

- The PPA made catch-up contributions permanent.

Roth 401(k).

- The EGTRRA created Roth 401(k).

- The PPA made the Roth 401(k) permanent.

Ms. Moran remarked that we are waiting for the I.R.S. to provide guidance on these changes. Most are effective in January 2007. She added that she has done an initial sweep regarding what needs to be done, but until we have the I.R.S. guidance, it's prudent to wait to implement.

Mr. Trabucco added that some PPA provisions automatically apply to the TSP; the items just discussed will not require any educational material for participants because most participants were not aware that the provisions would expire and it will simply constitute on-going activity. He noted that, as Ms. Moran has pointed out, we must wait for I.R.S. and Department of Labor guidance before we can implement the substantive changes made by the PPA. The provisions of the PPA, such as automatic enrollment and default investment options, that do not automatically apply to the TSP, will be further briefed to the Board to determine whether the Board wants to pursue a legislative change to the TSP's governing statutes.

Mr. Saul asked whether the potential legislative changes would be briefed in November and Mr. Trabucco remarked that they would and that Mr. Long would take the lead.

Mr. Sanchez asked what automatic enrollment entailed. Mr. Long explained that it meant participants don't have to opt in. Plans can choose to automatically enroll participants. This should increase participation rates because automatically enrolled participants are likely to keep contributing.

Mr. Saul noted how pleased he was that the professional staff was so fluent in the PPA and noted this would be of benefit to participants.

Mr. Trabucco remarked that the Army's pilot program to provide matching funds to certain recruits is to be ex-

tended through 2008 upon the enactment of the pending Defense Authorization Act for 2007. Mr. Sanchez asked whether there were any plans to extend this pilot to other services and Mr. Trabucco replied that it would not be likely until the results of the Army program had been thoroughly studied.

c. Monthly Investment Activity Report.

Ms. Ray reviewed her August 7, 2006 memorandum (attached), on the performance of the G, F, C, S, and I Funds during August 2006.

Mr. Saul asked what caused monthly contributions to increase so significantly from the previous year. Ms. Moran explained that the percentage of pay limitations no longer apply to participants. Now, so long as their total contributions do not exceed the annual elective deferral limit, participants may contribute as much as they want each month. Average monthly contributions over the first eight months of this year were \$1.64 billion as compared to \$1.47 billion over the same period in the previous year.

Mr. Sanchez asked why total TSP contributions varied by as much as \$300 million each month. He was told that timing of when contributions are received from the agencies can cause this variation as well as the number of pay periods in a month--some months have three pay periods whereas most months have only two.

Ms. Ray pointed out that participants transferred \$620 million to the L Funds in August. Several Board members commented on this positive trend. Ms. Moran pointed out that the recent upsurge could be due not only to the continuing success of the L Funds but also to the L Fund reminder letter that was recently sent out. Mr. Sanchez remarked that it was interesting that members of the uniformed services were participating in the L Funds at a higher rate than members of either CSRS or FERS. Mr. Amelio commented that this was likely because we had posted so much information about the L Funds on the TSP web site, and, since members of the uniformed services tend to be younger than other TSP participants, they are likely to use the web site to a greater extent.

3. New Business.

a. Annual Budget.

Mr. Amelio reported that the Agency had again come in under budget. He noted that the Board had approved a budget of \$89.4 million for FY 2006, but that the Agency had expended only \$83.4 million. This was particularly remarkable because the Agency had incurred additional expenses when the NFC resigned as the Agency's record keeper and the Agency had to transition to a new contractor for these services. He pointed out that Agency staff had been reduced from 91 to 69 and this accounted for some of the savings. We are also distributing more TSP material via the web rather than stock pile huge quantities of printed material. The good news is that we are 7 percent under budget yet we have maintained the same service levels.

Chairman Saul asked what the budget was when he became Chairman four years ago and was told the Agency expended approximately \$100 million. Chairman Saul remarked how impressed he was that the Agency had reduced actual expenditures while increasing service and ensuring continuous operations by implementing back-up call centers and data centers as well as introducing improved education materials and the L Funds. He then remarked that the administrative fee to participants had been six or seven basis points four years ago and Mr. Amelio noted that we have reduced that charge by one basis point per year. The charge will be four basis points this year and should be three, or even two, next year.

Mr. Petrick then discussed Mr. Amelio's September 6, 2006 memorandum (attached), on the Fiscal Year 2007 budget. Mr. Amelio remarked that the budget included a significant increase for participant communications in order to provide even better service to participants. Mr. Petrick noted that the budget earmarked a significant amount to increase TSP data security.

Mr. Sanchez asked how much of the \$2.3 million allocated for rent was for 1250 H Street and was told most of it. He then asked if the rent the Agency is paying for 1250 H Street is competitive with other Washington, DC properties. He was told that the rate is very competitive. He was also told that, due to reductions in Agency staff, the Agency was looking at consolidating its office space from three floors to two floors. Agency staff will brief Board members on this in the next several months with a goal of consolidating in 2007.

Mr. Hagerty remarked that the Agency was making a number of very prudent and aggressive investments to ensure se-

curity and business continuity (including ensuring we can run this business 24/7 anywhere). We are keeping the data centers in sync and have a robust, multi-layered approach to security. This year we will implement improved authentication requirements for our participants. We are also looking into the services of FraudNET, which were suggested by Mr. Sanchez. We currently encrypt data in-transit and soon will encrypt data at rest. We also have more real-time monitoring to combat fraud.

Chairman Saul asked whether adequate amounts had been budgeted for security and Mr. Hagerty ensured him that they had been and that the Executive Director was a proponent of enhanced security.

Mr. Fink asked Mr. Hagerty if he was close to hiring a deputy. Mr. Hagerty explained that the Department of Interior, which performs personnel services for the Agency, had culled the initial list of 40 applicants to 27. He expected to receive the fully qualified list soon and the candidates would be interviewed by three person teams with the best qualified being interviewed by the Executive Director.

Mr. Fink then returned to the budget and asked what explained the 25 percent reduction in expenditures for benefits. He was told that this represented benefits paid to Agency employees and that the reduction was attributable to the reduction in the number of Agency employees. Mr. Fink then asked what has been budgeted for benefits in fiscal year 2006 and was told \$2.344 and the actual expenditure was \$2.373 million. The slight increase was due to the one-time payments made to employees who opted for early retirement. Mr. Fink then asked what accounted for the 75 percent increase in the amount budgeted for travel in fiscal year 2007. He was told that this reflected the need for office directors to make due diligence visits to the Agency's contractors; the Agency now has several more contractors than when the NFC performed services for the Agency. Mr. Fink then asked how many participants still received mailed copies of their quarterly TSP statements and was told approximately 400,000. He asked whether this number had remained fairly constant and was told that it had.

Mr. Saul then asked Ms. Moran if she had any comments on the budget. Ms. Moran explained that her primary focus for the next four to five months will be implementing the Pension Protection Act. She is also planning a targeted mailing for those participants who are invested solely in the G Fund. She plans to produce a DVD for new participants; the DVD will

include basic TSP features but the master copy will be formatted in a manner that will allow her to add other TSP features.

Mr. Whiting asked when the Agency would have the capability to distribute DVDs via the Agency web site. Mr. Hagerty responded that the ability to download DVDs might not be practical, but the Agency was looking into the capability to provide streaming video. The latter would require an expenditure of approximately \$200,000 for new servers. Consequently, the Agency needed to assess whether this enhanced web capability would be in the interest of participants and beneficiaries. We would also need to consult the employing agencies since many TSP participants might access this information from their jobs and heavy use might clog the employing agencies' servers. Mr. Whiting then asked how much it would cost to produce and mail these DVDs to new TSP participants and was told about \$1.25 per copy. Mr. Saul said that we should definitely determine whether adding this web capability would be cost effective. He was assured that we would and Ms. Moran also noted that the participants' access to broadband was also of concern. Mr. Whiting asked whether the upcoming participant survey would inquire into the internet capabilities of participants and was told that it would. Mr. Hagerty also stated that the Agency was considering asking participants who access their accounts via the web whether they would like e-mail notification of TSP developments.

Mr. Duffy commented that it was amazing that the Agency could reduce the budget while significantly increasing the dollar amounts under management. He then remarked on the general trend of TSP participants away from the G Fund into the higher risk equity funds. He expressed concern that if market valued declined, that the Agency would not have enough personnel to assist participants and to assuage concerns. He asked whether it would be prudent to add several members to Agency staff to monitor speculative funds so that if market conditions worsened they could assist participants and prevent a mass exodus from the TSP. Mr. Amelio replied that the Agency was planning six to seven targeted hires (about a ten percent increase) and noted that the use of technology had allowed for the recent reductions in staff. He also noted that Agency personnel set policy whereas the bulk of the Agency's work is performed by its vendors. He concluded by expressing his conclusion that the Agency is adequately staffed.

Chairman Saul then asked if Mr. Duffy was expressing concern over a seismic event in the markets. Mr. Duffy stated that his interest was in ensuring that participants stay

in the TSP and are not scared out. He remarked that the Agency needs a large enough staff to make sure participants know, even if such an event occurred, staying in the plan over the long term is still in their best interest.

Mr. Sanchez remarked that he believed the Agency capable of handling such an event because he viewed the Agency's senior staff as having greater depth than when he first became a Board member. Mr. Duffy agreed with Mr. Sanchez' assessment, but wondered why the Agency was focusing on decreasing annual salaries by \$1.8 million when that amount was relatively small compared to total administrative costs, particularly since the plan was growing at such a significant rate. He wondered if the participants would be better served by increasing staff to prepare for contingencies. Mr. Saul replied that much of the budgetary saving was attributable to the switch from the NFC to private contractors. He noted that he had instructed Mr. Amelio to focus on how to improve the plan. This led to this year's focus on enhanced security and new communication materials. He additionally told Mr. Amelio to ensure enough was budgeted for the Director of the Office of Participant Services to achieve her priorities for communication materials. Mr. Duffy stated that being customer friendly will help us to increase participation in the TSP and that is why he is concerned about decreasing salaries by \$1.8 million. Mr. Sanchez asked Mr. Amelio if there were additional positions he would like to fill within the Agency. Mr. Amelio replied that while there might be a few targeted hires, he had carefully evaluated the budget and concluded that it fully ensured that the Agency could operate effectively. Mr. Saul then asked if the Agency had an emergency plan in the event of major upheaval in the financial markets. He further asked if Agency employees would be working at the call centers. Mr. Amelio then explained about the Agency's disaster recovery plan that has been in the works for months, to include alternate worksites and he also commented on succession planning.

Mr. Sanchez commented that when the Board was first appointed four years ago, there were numerous other pressing concerns that did not allow them to devote time to security. Now that those concerns have been taken care of, the Agency can focus on security. He explained that once that is taken care of, the Agency will be better able to address the concerns raised by Mr. Duffy regarding being able to fully assist participants in the event of a drastic downturn in the financial markets. Mr. Duffy replied that his concern was that, with a plan that is growing as rapidly as the TSP, he wanted to ensure that a \$1.8 million cut couldn't give rise to any disruptions in

that growth. He commented that he was satisfied that the needs of the Agency had been fully thought through and were reflected in the proposed budget.

Chairman Saul entertained a motion for approval of the fiscal year 2007 budget. The following motion was made, seconded, and adopted without objection:

MOTION: That the Agency's proposed fiscal year 2007 budget, as set out in the September 6, 2007 memorandum, be approved.

Chairman Saul then noted the imminent retirement of Dick White, the Agency's economist who had been instrumental in accounting and budgeting for 19 years. He praised Mr. White for his outstanding work and wished him luck on his retirement.

Mr. Fink asked whether the Board also needed to provide general approval of the fiscal year 2008 budget and was told that Board approval was not necessary because it was just an estimate the Agency provided to the Office of Management and Budget.

b. Investment Fund Manager Contract.

Mr. Amelio reported that Barclays Global Investors had won the contract to manage the Agency's four funds. He noted that it had been a robust procurement and thanked all the vendors who participated. Ms. Ray added that Ennis Knupp is currently doing its due diligence review of Barclays for the Agency. She reported that she and representatives from Ennis Knupp had met with Barclays in the preceding week and that they had been very satisfied with all the answers that had been provided. Mr. Duffy asked whether the risk associated with having one fund manager for all four funds had been addressed. Ms. Ray replied that it had been and that she could discuss the matter more fully in the Board's executive session.

c. Participant Survey.

Mr. Long reported that Watson Wyatt will conduct the survey for the Agency, that everything was on schedule, and that Agency personnel were currently reviewing draft survey questions.

Mr. Fink asked about a recent article that implied the Senate was about to take up consideration of the proposal to a

REIT fund to the TSP. Mr. Trabucco replied that he had discussed the matter with the staff of Senator Voinovich and that they had informed him the Senate had no such plans. Mr. Fink then asked when the Agency would provide Congress with the report on potential new investment funds for the TSP. He was told that the report was due to the Agency by the end of October and that Agency staff would likely discuss it with the Board before releasing it to Congress.

d. New Communication Materials.


Mr. Amelio commented that the Agency's communication office continues to create top shelf materials and provided the Board members with a poster entitled "Opportunity Knocks," with an advance copy of the October "TSP Highlights," and with an enhanced version of "Understanding Your Participant Statement." Mr. Duffy asked whether this material was produced in house. Ms. Moran said, yes, her staff produced it. Mr. Duffy was so impressed he asked whether he could "steal" Ms. Moran's staff to work for him at the Chicago Mercantile Exchange.

4. Closed session.

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

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 12:22 p.m.

MOTION: That this meeting be adjourned.


Thomas K. Emswiler
Secretary

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

Attachments

THRIFT SAVINGS FUND STATISTICS

August 2006

July 2006

June 2006

Fund Balances (\$ millions)

	August 2006	July 2006	June 2006
G Fund	70,101 37%	70,001 38%	68,693 37%
F Fund	9,875 5%	9,661 5%	9,499 5%
C Fund	66,833 35%	65,365 35%	65,349 35%
S Fund	13,890 7%	13,795 7%	14,378 8%
I Fund	16,611 9%	15,416 8%	15,321 8%
L Income Fund	796 0%	749 0%	709 0%
L 2010 Fund	3,500 2%	3,266 2%	3,127 2%
L 2020 Fund	5,261 3%	4,888 3%	4,672 3%
L 2030 Fund	2,603 1%	2,393 1%	2,280 1%
L 2040 Fund	1,442 1%	1,286 1%	1,223 1%
Total	190,912 100%	186,820 100%	185,251 100%

Twelve Month Returns

	August 2006	July 2006	June 2006
G Fund	4.91%	4.84%	4.77%
F Fund	1.77%	1.42%	0.75%
C Fund	8.89%	5.42%	8.59%
S Fund	8.72%	5.35%	14.43%
I Fund	23.44%	24.00%	26.57%
L Income Fund	6.28%	5.51%	
L 2010 Fund	8.65%	7.32%	
L 2020 Fund	9.95%	8.15%	
L 2030 Fund	10.55%	8.50%	
L 2040 Fund	11.47%	9.12%	

Number of Participants (000s)

	August 2006	July 2006	June 2006
FERS Contributing with Agency Contributions	1,606	1,613	1,603
FERS Not contributing with Agency Contributions	265	269	265
FERS Participation Rate	85.8%	85.7%	85.8%
FERS Contributing w/out Agency Contributions	59	48	60
Total FERS with Contributions	1,930	1,930	1,927
CSRS Contributing	389	393	397
Uniformed Services Contributing	536	529	536
Participants with No Current Contributions	798	794	771
Total Plan Participants	3,653	3,646	3,632

Loans Outstanding

	August 2006	July 2006	June 2006
Number	768,478	771,638	767,512
Amount (\$ millions)	5,256	5,184	5,065

Net Expense Ratios*	G	F	C	S	I	L Inc.	L 2010	L 2020	L 2030	L 2040
2000	.05%	.07%	.06%	-	-	-	-	-	-	-
2001	.06%	.06%	.06%	.05%	.05%	-	-	-	-	-
2002	.06%	.06%	.07%	.07%	.07%	-	-	-	-	-
2003	.10%	.10%	.10%	.10%	.10%	-	-	-	-	-
2004	.06%	.05%	.06%	.06%	.06%	-	-	-	-	-
2005	.04%	.04%	.05%	.05%	.05%	.01%	.02%	.02%	.02%	.02%
2006 YTD	.02%	.02%	.02%	.03%	.02%	.02%	.02%	.02%	.02%	.02%

*The net expense ratios are the administrative expenses charged to TSP participants per dollar invested in the respective funds after offsetting gross administrative expenses with account forfeitures. The F, C, S, and I Fund and derivative L Fund expense ratios include Barclays' investment management fees. The S and I Funds were implemented in May 2001. The L Funds were implemented in August 2005.

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
THRIFT SAVINGS PLAN PARTICIPATION
(in Thousands)

Month	FERS Receiving Agency Contributions			FERS Contributing Not Receiving Agency Contributions ^a	Total FERS With Contributions (5)=(1+2+4)	CSRS Contributing (6)	Uniformed Services Contributing ^o (7)	Total Partici- pants With Contributions (8)=(5+6+7)	Participants With No Current Contributions ^c (9)=(10-8)	Total Plan Participants (10)
	FERS Contributing (1)	FERS Not Contributing (2)	FERS Partici- pation Rate (3)=(1)/(1+2)							
Prior Open Seasons										
Jun 1987	163	400	28.9%		563	297		850	10	860
Sep 1987	219	355	38.2%		574	372		947	42	989
Mar 1988	291	360	44.7%		651	377		1,028	137	1,165
Sep 1988	340	390	46.6%		730	388		1,118	189	1,307
Mar 1989	390	417	48.3%		807	406		1,213	138	1,351
Sep 1989	440	428	50.7%		867	423		1,290	164	1,454
Mar 1990	503	429	53.9%		932	439		1,371	173	1,544
Sep 1990	555	430	56.4%		985	461		1,447	191	1,638
Mar 1991	609	418	59.3%		1,027	484		1,510	195	1,705
Sep 1991	667	411	61.9%		1,078	515		1,593	183	1,776
Mar 1992	738	399	64.9%		1,137	561		1,698	159	1,857
Sep 1992	786	375	67.7%		1,161	588		1,749	167	1,916
Mar 1993	831	357	70.0%		1,188	603		1,791	181	1,972
Sep 1993	868	326	72.7%		1,194	619		1,812	224	2,036
Mar 1994	911	312	74.5%		1,223	634		1,858	224	2,082
Sep 1994	942	300	75.8%		1,242	634		1,876	243	2,119
Mar 1995	976	287	77.3%		1,263	628		1,891	259	2,150
Sep 1995	1,014	280	78.4%		1,294	635		1,930	265	2,195
Mar 1996	1,059	272	79.5%		1,331	641		1,972	246	2,218
Sep 1996	1,085	250	81.3%		1,335	653		1,987	267	2,254
Mar 1997	1,118	231	82.9%		1,348	657		2,005	272	2,277
Sep 1997	1,136	211	84.4%		1,347	664		2,011	292	2,303
Mar 1998	1,166	205	85.0%		1,372	660		2,032	301	2,333
Sep 1998	1,192	193	86.1%		1,385	662		2,046	324	2,370
Mar 1999	1,243	201	86.1%		1,444	643		2,086	322	2,408
Sep 1999	1,271	201	86.3%		1,472	640		2,112	339	2,451
Mar 2000	1,292	206	86.2%		1,497	629		2,127	344	2,471
Sep 2000	1,301	198	86.8%		1,499	619		2,118	357	2,475
Mar 2001	1,322	205	86.6%		1,527	604		2,131	365	2,496
Sep 2001	1,348	209	86.6%	33	1,590	593		2,183	390	2,573
Mar 2002	1,380	212	86.7%	44	1,636	576	222	2,434	413	2,847
Sep 2002	1,404	206	87.2%	49	1,659	559	280	2,498	460	2,958
Mar 2003	1,433	216	86.9%	77	1,725	536	330	2,591	487	3,078
Sep 2003	1,480	229	86.6%	57	1,766	522	359	2,647	555	3,202
Mar 2004	1,501	234	86.5%	64	1,799	496	410	2,705	566	3,271
Sep 2004	1,521	233	86.7%	62	1,816	475	435	2,726	627	3,353
Mar 2005	1,539	243	86.4%	71	1,853	449	476	2,778	661	3,439
Sep 2005	1,562	248	86.3%	69	1,878	431	499	2,808	715	3,523
Previous Six Months										
Feb 2006	1,590	258	86.0%	57	1,905	408	520	2,833	752	3,585
Mar 2006	1,588	256	86.1%	63	1,908	406	529	2,843	754	3,597
Apr 2006	1,585	253	86.2%	70	1,908	403	526	2,837	769	3,606
May 2006	1,582	251	86.3%	77	1,910	400	536	2,846	762	3,608
Jun 2006	1,603	265	85.8%	60	1,928	397	536	2,861	771	3,632
Jul 2006	1,613	269	85.7%	48	1,930	393	529	2,852	794	3,646
Current Month										
Aug 2006	1,606	265	85.8%	59	1,930	389	536	2,855	798	3,653

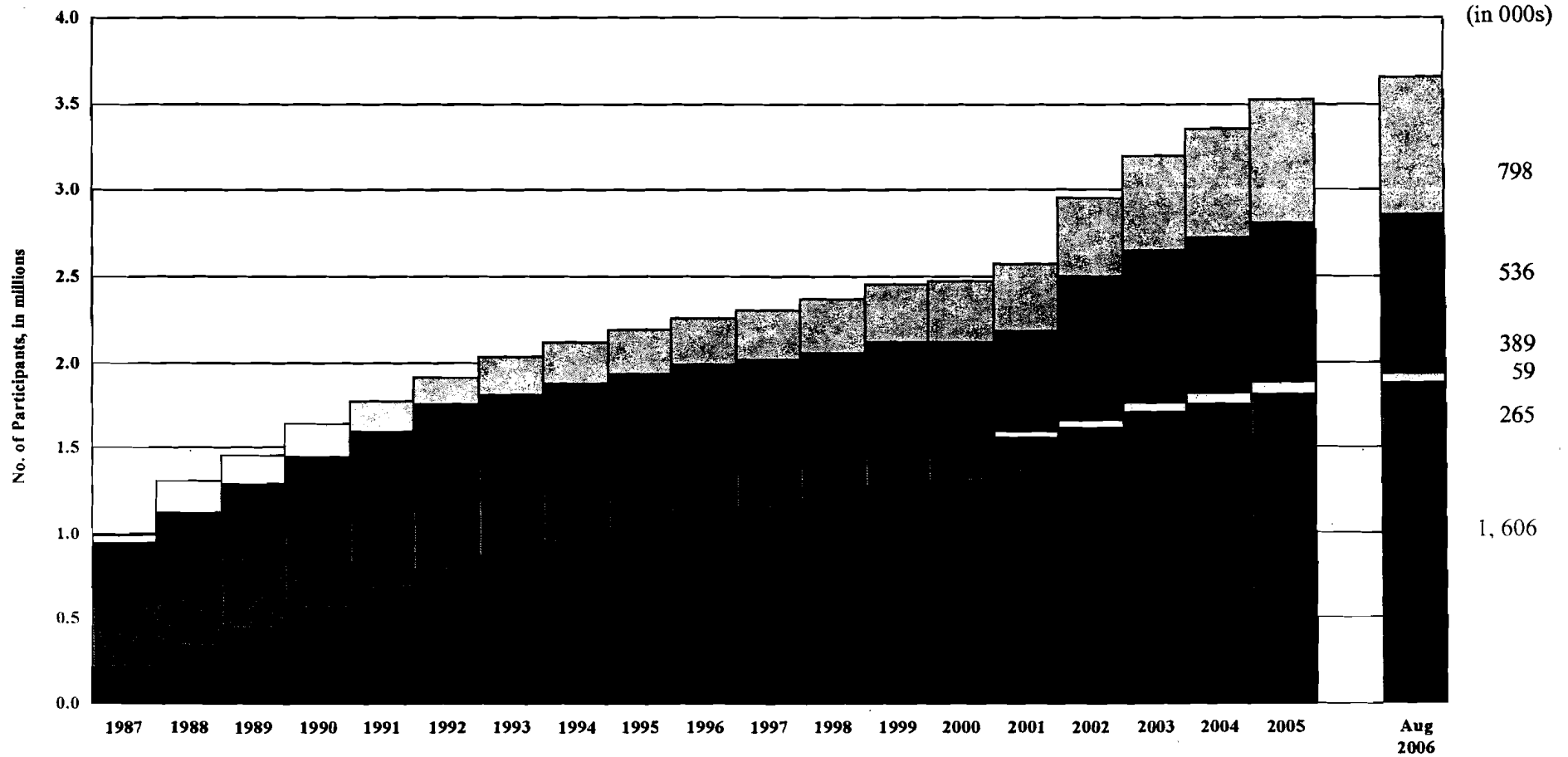
^a Beginning in July 2001, newly hired FERS employees not yet eligible for agency automatic or matching contributions were permitted to make employee contributions.

^b Beginning in January 2002, members of the uniformed services were permitted to make employee contributions.

^c Participants with no contributions includes dormant FERS accounts, non-separated CSRS and uniformed services participants who have terminated contributions, and separated participants.

Totals may not add due to rounding.

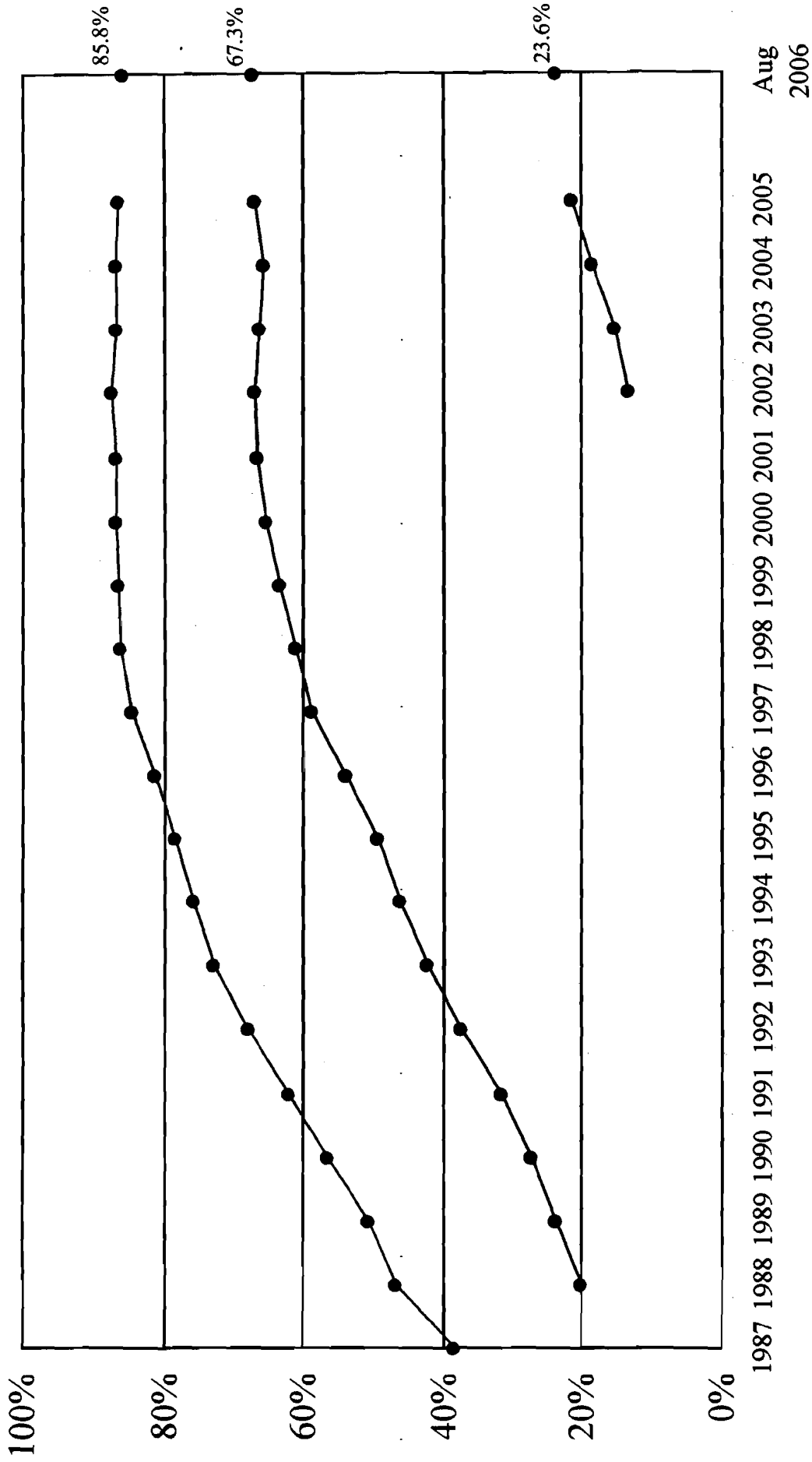
Thrift Savings Plan Participation



<ul style="list-style-type: none"> ■ FERS contributing with agency match □ FERS employee contributions only ■ Uniformed services member contributions only 	<ul style="list-style-type: none"> ■ FERS agency contributions only ■ CSRS employee contributions only □ No current contributions
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Annual data as of September of the respective year.

Thrift Savings Plan Participation Rates



Annual data as of September of the respective year.

—●— FERS —●— CSRS —●— U.S.



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

September 7, 2006

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: TRACEY RAY *TR*
CHIEF INVESTMENT OFFICER

SUBJECT: August 2006 Performance Review - G,
F, C, S, I, and L Funds

INTRODUCTION

This report reviews key aspects of the investment performance of the G, F, C, S, I, and L Funds through August 2006: investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BGI Funds

Monthly Tracking Error - August

<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	1.53	1.53	0.00
Large Cap	2.38	2.38	0.00
Small Cap	2.14	2.15	-0.01
International	2.77	2.75	0.02

Year to Date Tracking Error

<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	2.19	2.16	0.03
Large Cap	5.84	5.80	0.04
Small Cap	5.02	4.76	0.26
International	14.44	14.31	0.13

The **Barclays Extended Equity Market Fund E** has outperformed by 26 basis points year to date. The outperformance is primarily related to the sampling technique used by the Fund. The **Barclay's EAFE Equity Index Fund E** has outperformed by 13 basis points year to date, primarily because of taxes.

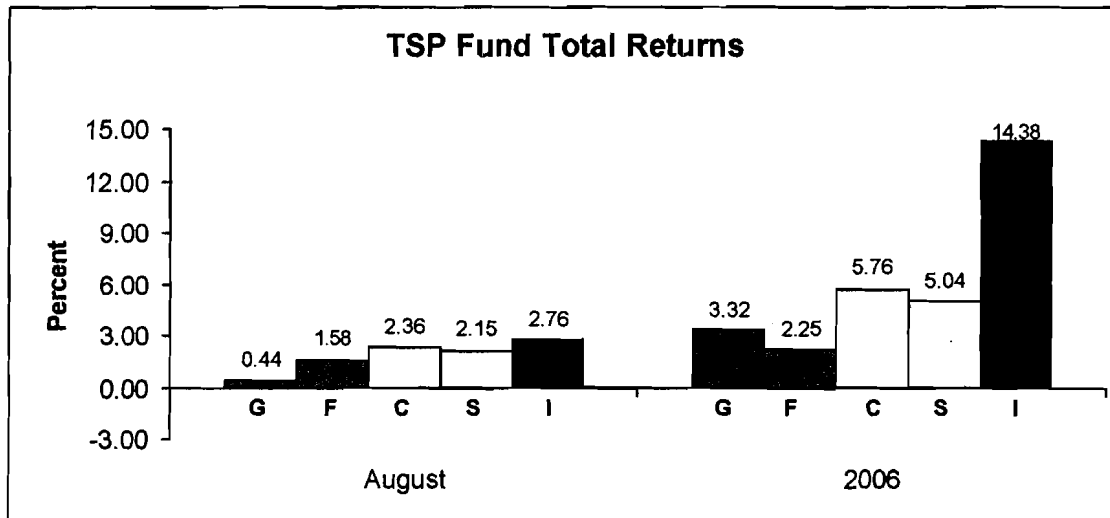
TRADING COSTS

Trading costs in the I Fund remain higher than the other funds. Australasian markets close before BGI receives our order for the day, and the trades are executed the following morning. In times of greater volatility, such as last month, this execution lag can be costly. Trading costs are, however, relatively low.

	<u>DOLLAR AMOUNT TRADED</u>	<u>TRADING COSTS</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
August 2006	\$133,057,336	\$17,145	1.3
Year-to-date	1,581,668,126	127,894	0.8
<u>C Fund</u>			
August 2006	\$604,989,378	128,131	2.1
Year-to-date	5,630,082,601	-60,437	-0.1
<u>S Fund</u>			
August 2006	\$298,478,763	\$217,797	7.2
Year-to-date	4,561,552,610	918,566	2.0
<u>I Fund</u>			
August 2006	\$850,605,157	\$1,667,756	19.6
Year-to-date	9,558,166,723	11,685,843	12.2

PERFORMANCE OF TSP FUNDS

The chart below shows the G, F, C, S, and I Fund net rates of return for August 2006 and the year.



The table below compares the net rates of return for the F, C, S, and I Funds to the returns of the corresponding Barclays funds.

August 2006

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>
Fixed Income	1.58	1.53	.05
Large Cap	2.36	2.38	-.02
Small Cap	2.15	2.14	.01
International	2.76	2.77	-.01

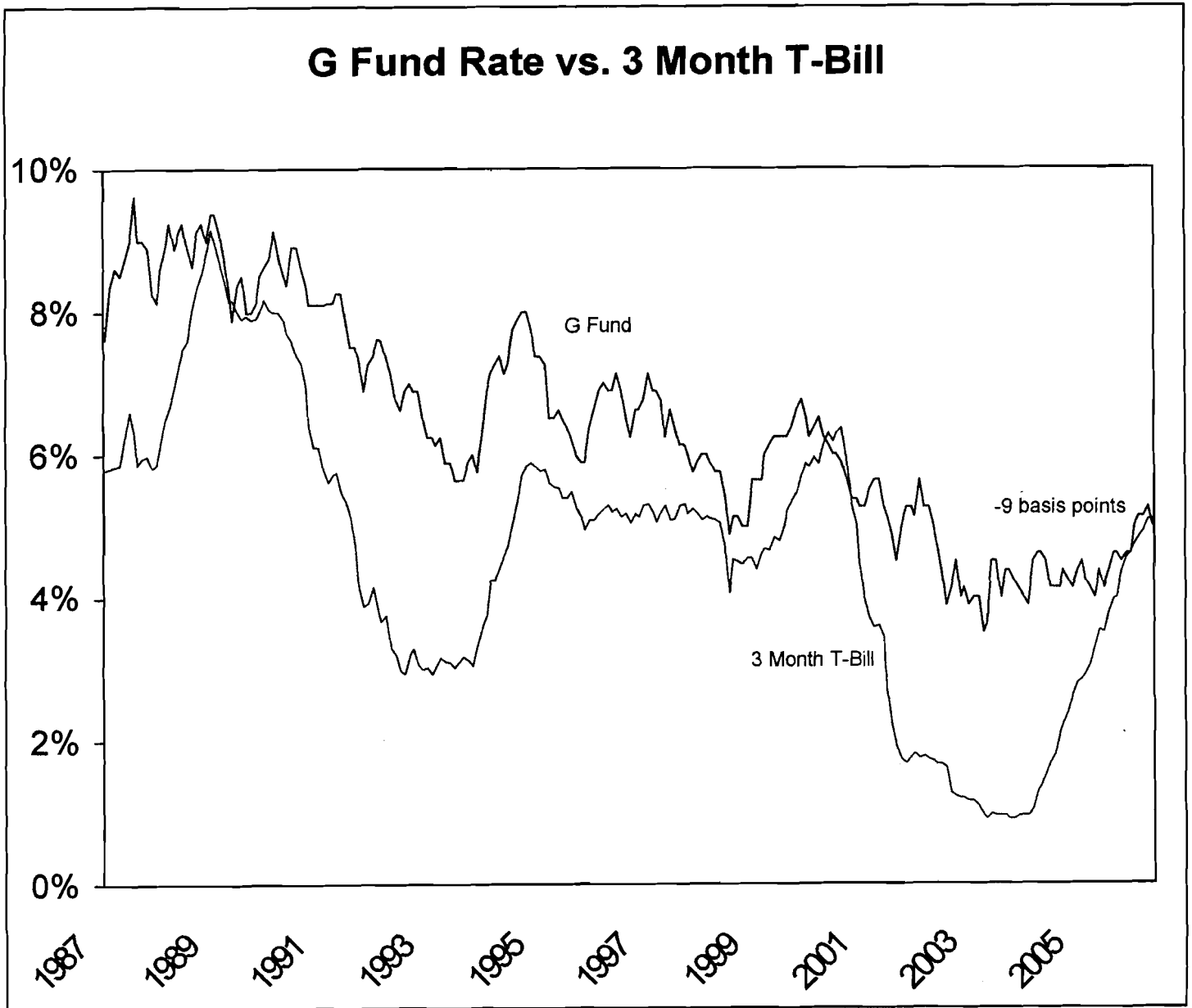
Year to Date

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>
Fixed Income	2.25	2.19	0.06
Large Cap	5.76	5.84	-0.08
Small Cap	5.04	5.02	0.02
International	14.38	14.44	-0.06

The TSP Funds have closely tracked the Barclays Funds for the month and year to date.

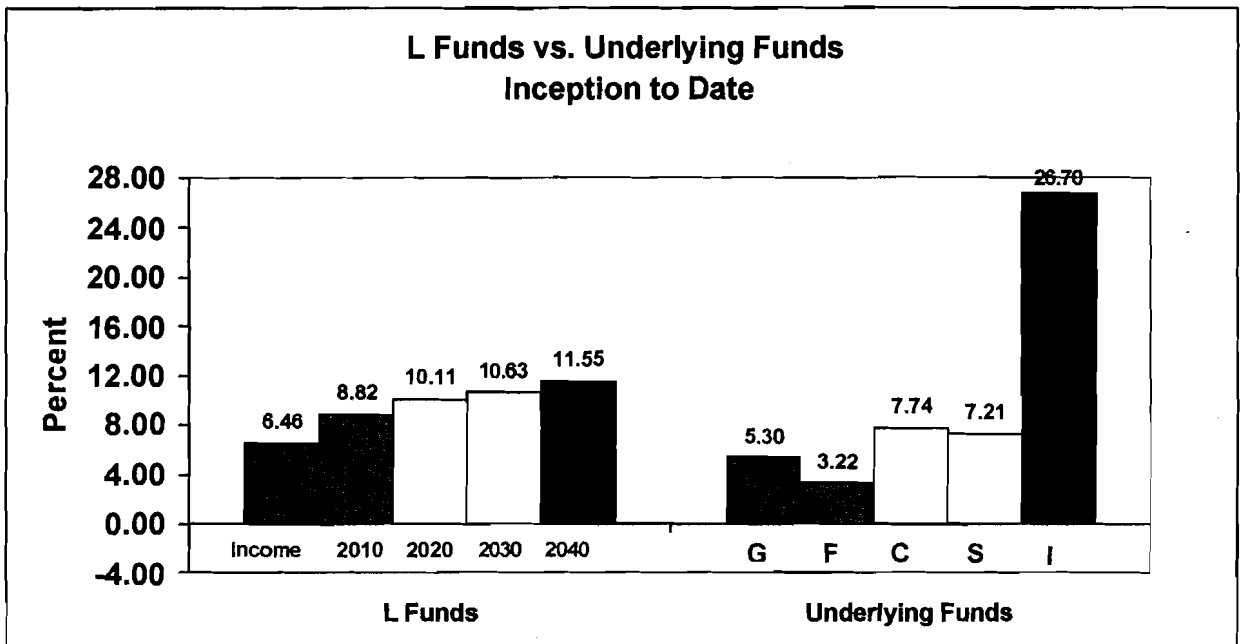
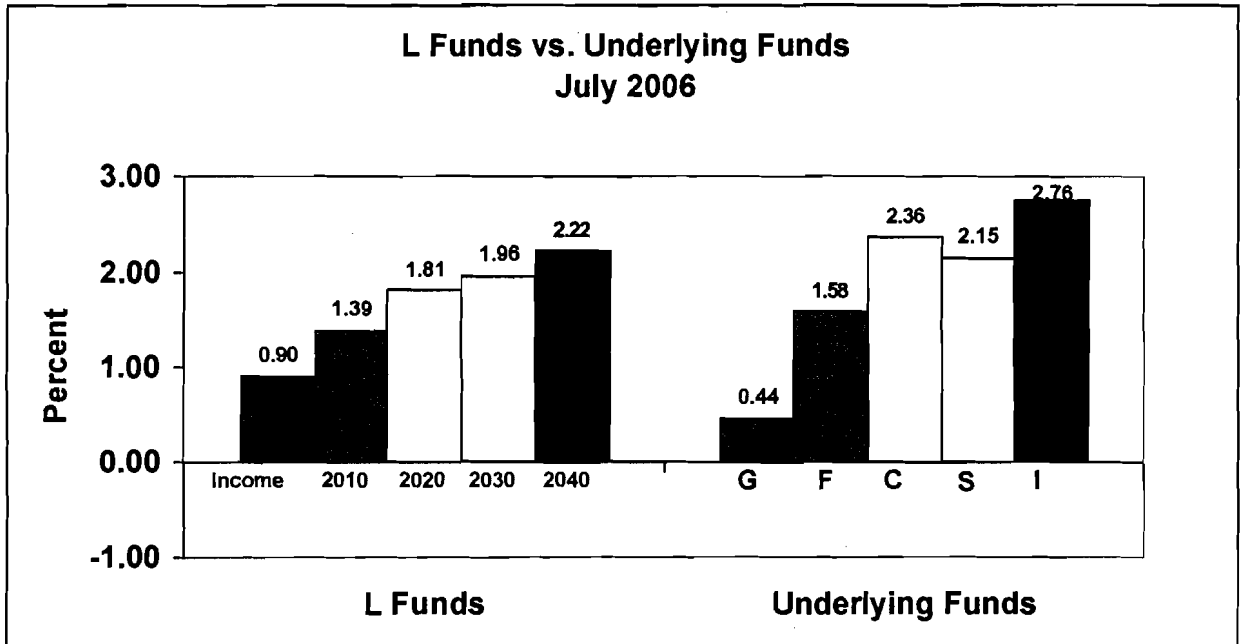
G Fund

The gross G Fund return was .44% in August. The August 2006 nominal statutory G Fund interest rate (expressed on a per-annum basis) was 5.00% versus 5.25% in July. The spread between the yield on 3 month Treasury Bills and the G Fund is -9 basis points.



L Funds

The net rates of return for the L Funds are shown below along with comparable returns for the G, F, C, S, and I Funds. The bulk of our participants' funds are held in the G and C Funds. Since inception, all of the L Funds except the Income Fund have outperformed the G and C Funds. The Income Fund has outperformed the G Fund by 116 basis points.



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

Attachment 1 provides a summary of TSP investment activity, participation rates, and monthly returns in the G, F, C, S, I, and L Funds.

- Monthly contributions to the L Funds have risen 78% to \$173 million from \$97 million at year end. Contributions to the I Fund have risen 44% to \$181 million from \$125 million. (p.8)
- 10% (or \$173 million) of monthly TSP contributions was allocated to L Funds, up from 9% last month. (p.8)
- Interfund transfers into the L Funds rose to the highest level since January 2006, \$620 million. \$593 million was transferred into the I Fund. (p.8)
- The most popular L Fund is the 2020 Fund with 39% of L Fund assets and 32% of L Fund participants. (p.10)
- The number of participants in the L Funds rose 5.9% to 364,701 from July's 344,396. The total balance in L Funds rose 8.1% to \$13.2 billion from \$12.2 billion. (p.10)

Attachment

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Allocation of Account Balances

Month end	Participants with Balances in Funds other than the G Fund						Allocation of Account Balances (G/F/C/S/I/L Fund)		
	FERS (000s) %		CSRS (000s) %		Uniformed Services (000s) %		FERS (%) (G / F / C / S / I / L)	CSRS (%) (G / F / C / S / I / L)	Uniformed Services (%) (G / F / C / S / I / L)
1/31/2005	1,437	67%	551	77%	226	40%	38 / 7 / 44 / 6 / 5 / -	43 / 6 / 42 / 5 / 4 / -	49 / 6 / 23 / 14 / 8 / -
2/28/2005	1,442	67%	550	77%	234	40%	37 / 7 / 43 / 7 / 6 / -	42 / 6 / 41 / 6 / 5 / -	48 / 6 / 23 / 14 / 9 / -
3/31/2005	1,444	67%	546	77%	240	41%	38 / 7 / 43 / 6 / 6 / -	43 / 6 / 41 / 5 / 5 / -	49 / 6 / 22 / 14 / 9 / -
4/30/2005	1,443	67%	540	77%	244	42%	39 / 7 / 42 / 6 / 6 / -	44 / 6 / 40 / 5 / 5 / -	49 / 6 / 22 / 14 / 9 / -
5/31/2005	1,448	67%	538	77%	249	42%	39 / 7 / 42 / 7 / 5 / -	44 / 6 / 40 / 5 / 5 / -	48 / 6 / 23 / 14 / 9 / -
6/30/2005	1,451	67%	536	77%	252	42%	39 / 7 / 42 / 7 / 5 / -	44 / 6 / 40 / 5 / 5 / -	48 / 6 / 22 / 15 / 9 / -
7/31/2005	1,460	66%	536	77%	257	42%	38 / 7 / 42 / 8 / 5 / -	43 / 6 / 41 / 6 / 4 / -	47 / 6 / 22 / 16 / 9 / -
8/31/2005	1,467	67%	534	77%	265	43%	38 / 7 / 40 / 7 / 6 / 2	42 / 6 / 39 / 6 / 5 / 2	47 / 5 / 22 / 15 / 9 / 2
9/30/2005	1,474	67%	534	77%	272	43%	37 / 6 / 41 / 7 / 6 / 3	42 / 6 / 39 / 6 / 5 / 2	45 / 5 / 22 / 15 / 10 / 3
10/31/2005	1,479	67%	533	77%	277	43%	38 / 6 / 40 / 7 / 6 / 3	42 / 6 / 38 / 6 / 5 / 3	45 / 5 / 21 / 15 / 10 / 4
11/30/2005	1,490	67%	533	77%	282	43%	36 / 6 / 40 / 8 / 6 / 4	41 / 6 / 38 / 6 / 5 / 4	45 / 5 / 21 / 15 / 10 / 4
12/31/2005	1,497	67%	532	77%	287	43%	35 / 6 / 39 / 8 / 7 / 5	40 / 6 / 38 / 6 / 6 / 4	44 / 5 / 21 / 15 / 10 / 5
1/31/2006	1,506	67%	531	78%	293	44%	35 / 6 / 38 / 8 / 8 / 5	40 / 5 / 37 / 7 / 6 / 5	43 / 5 / 21 / 15 / 11 / 5
2/28/2006	1,515	67%	529	78%	302	45%	34 / 6 / 38 / 8 / 8 / 6	39 / 5 / 37 / 7 / 7 / 5	43 / 4 / 20 / 15 / 11 / 7
3/31/2006	1,520	68%	528	78%	309	45%	35 / 5 / 38 / 8 / 8 / 6	39 / 5 / 36 / 7 / 7 / 6	42 / 4 / 20 / 16 / 11 / 7
4/30/2006	1,528	68%	527	78%	316	46%	34 / 5 / 37 / 9 / 9 / 6	39 / 5 / 36 / 7 / 8 / 6	41 / 4 / 20 / 15 / 12 / 8
5/31/2006	1,525	68%	521	77%	321	46%	35 / 5 / 37 / 8 / 9 / 6	40 / 5 / 35 / 7 / 7 / 6	41 / 4 / 20 / 15 / 12 / 8
6/30/2006	1,521	67%	515	77%	325	46%	36 / 5 / 36 / 8 / 8 / 7	41 / 5 / 35 / 6 / 7 / 6	42 / 4 / 19 / 15 / 12 / 8
7/31/2006	1,521	67%	511	76%	329	46%	37 / 5 / 36 / 7 / 8 / 7	41 / 5 / 35 / 6 / 7 / 6	42 / 4 / 19 / 14 / 12 / 9
8/31/2006	1,530	67%	510	77%	334	46%	36 / 5 / 36 / 7 / 9 / 7	41 / 5 / 35 / 6 / 7 / 6	41 / 4 / 20 / 14 / 12 / 9

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Contributions and Interfund Transfers

Month end	Monthly TSP Contributions (\$ Millions)							Interfund Transfer Activity (\$ Millions)							# of ITs
	G Fund	F Fund	C Fund	S Fund	I Fund	L Funds	Total	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)	L Funds (\$Mil)		
1/31/2005	537	96	581	122	90		1,426	274	12	(437)	(90)	242		133,781	
2/28/2005	515	90	539	119	92		1,355	(80)	(56)	(327)	23	440		118,195	
3/31/2005	601	106	644	145	118		1,613	345	(164)	(519)	(105)	444		153,888	
4/30/2005	528	90	541	123	103		1,385	788	30	(504)	(181)	(133)		138,842	
5/31/2005	524	89	534	121	102		1,370	93	40	(177)	127	(83)		121,692	
6/30/2005	615	105	623	142	117		1,602	228	(15)	(377)	354	(189)		121,318	
7/31/2005	583	99	581	144	113		1,521	(283)	(61)	(266)	714	(105)		128,495	
8/31/2005	560	94	567	144	111	27	1,503	(620)	(196)	(1,932)	(444)	68	3,124	217,418	
9/30/2005	559	93	571	146	116	49	1,534	(160)	(179)	(1,014)	(205)	606	953	150,844	
10/31/2005	510	83	501	130	108	58	1,390	(462)	(223)	(762)	(43)	260	1,230	164,470	
11/30/2005	558	87	533	139	117	80	1,514	(925)	(237)	(585)	339	67	1,341	150,510	
12/31/2005	562	88	541	147	125	97	1,560	(366)	(109)	(703)	27	359	792	140,242	
1/31/2006	599	94	599	167	150	125	1,734	(368)	(158)	(1,223)	(15)	753	1,011	205,166	
2/28/2006	524	80	510	149	138	117	1,518	(448)	(174)	(707)	300	467	562	149,164	
3/31/2006	533	80	512	156	146	131	1,558	(111)	(113)	(684)	103	375	430	156,071	
4/30/2006	515	77	497	155	148	133	1,525	(296)	(87)	(815)	244	676	278	158,329	
5/31/2006	571	83	531	167	168	143	1,663	1,096	(108)	(839)	(462)	60	253	247,508	
6/30/2006	610	88	561	177	178	162	1,776	1,662	(66)	(653)	(484)	(593)	134	214,778	
7/31/2006	549	77	496	156	159	147	1,584	779	(12)	(727)	(290)	(139)	389	177,747	
8/31/2006	602	84	551	171	181	173	1,762	(424)	8	(464)	(333)	593	620	166,682	

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
L Fund Participation Rates and Balance Distribution

Month end	Participants with Balances in the L Funds						Allocation of L Fund Balances		
	FERS		CSRS		Uniformed Services		FERS (%)	CSRS (%)	Uniformed Services (%)
	(000s)	%	(000s)	%	(000s)	%	Inc/2010/2020/2030/2040	Inc/2010/2020/2030/2040	Inc/2010/2020/2030/2040
1/31/2005	-	-	-	-	-	-	-	-	-
2/28/2005	-	-	-	-	-	-	-	-	-
3/31/2005	-	-	-	-	-	-	-	-	-
4/30/2005	-	-	-	-	-	-	-	-	-
5/31/2005	-	-	-	-	-	-	-	-	-
6/30/2005	-	-	-	-	-	-	-	-	-
7/31/2005	-	-	-	-	-	-	-	-	-
8/31/2005	54	2%	13	2%	14	2%	6 / 26 / 41 / 19 / 8	14 / 50 / 29 / 4 / 3	2 / 8 / 23 / 36 / 31
9/30/2005	74	3%	17	2%	26	4%	6 / 25 / 42 / 19 / 8	14 / 50 / 29 / 4 / 3	2 / 8 / 24 / 35 / 31
10/31/2005	96	4%	23	3%	32	5%	6 / 24 / 42 / 19 / 9	14 / 50 / 29 / 4 / 3	2 / 8 / 24 / 35 / 31
11/30/2005	121	5%	29	4%	38	6%	6 / 24 / 42 / 19 / 9	13 / 51 / 29 / 4 / 3	2 / 8 / 23 / 36 / 31
12/31/2005	138	6%	33	5%	44	7%	6 / 24 / 41 / 20 / 9	13 / 50 / 30 / 4 / 3	2 / 8 / 23 / 36 / 31
1/31/2006	159	7%	37	5%	49	7%	5 / 23 / 42 / 20 / 10	13 / 48 / 30 / 5 / 4	2 / 8 / 24 / 35 / 31
2/28/2006	172	8%	40	6%	58	9%	5 / 23 / 41 / 21 / 10	12 / 49 / 30 / 5 / 4	2 / 8 / 24 / 35 / 31
3/31/2006	183	8%	42	6%	66	10%	5 / 22 / 42 / 21 / 10	12 / 48 / 31 / 5 / 4	2 / 8 / 24 / 35 / 31
4/30/2006	191	8%	43	6%	71	10%	5 / 22 / 42 / 21 / 10	11 / 49 / 31 / 5 / 4	2 / 7 / 24 / 36 / 31
5/31/2006	199	9%	44	7%	75	11%	5 / 22 / 41 / 21 / 11	11 / 48 / 31 / 5 / 5	2 / 8 / 24 / 35 / 31
6/30/2006	205	9%	45	7%	79	11%	5 / 22 / 41 / 21 / 11	12 / 48 / 31 / 5 / 4	2 / 8 / 24 / 35 / 31
7/31/2006	215	9%	46	7%	83	12%	5 / 22 / 41 / 21 / 11	11 / 48 / 32 / 5 / 4	2 / 8 / 24 / 35 / 31
8/31/2006	228	10%	49	7%	87	12%	5 / 22 / 41 / 21 / 11	11 / 48 / 31 / 5 / 5	2 / 8 / 23 / 35 / 32

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
L Fund Investment Balances and Number of Participants

Month end	L Fund Investment Balances						Number of Participant Accounts with L Fund Balances					
	Income (\$Mil)	2010 (\$Mil)	2020 (\$Mil)	2030 (\$Mil)	2040 (\$Mil)	Total (\$Mil)	Income	2010	2020	2030	2040	Any L Fund
1/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
2/28/2005	-	-	-	-	-	-	-	-	-	-	-	-
3/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
4/30/2005	-	-	-	-	-	-	-	-	-	-	-	-
5/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
6/30/2005	-	-	-	-	-	-	-	-	-	-	-	-
7/31/2005	-	-	-	-	-	-	-	-	-	-	-	-
8/31/2005	253	934	1,205	519	244	3,155	6,198	16,680	23,601	19,155	17,425	81,507
9/30/2005	316	1,206	1,597	697	335	4,151	8,992	24,105	34,583	28,710	26,501	116,264
10/31/2005	400	1,556	2,090	915	430	5,391	11,792	32,043	45,947	37,685	34,494	150,309
11/30/2005	489	1,988	2,713	1,186	563	6,939	14,556	40,559	58,501	47,424	43,075	188,155
12/31/2005	542	2,235	3,092	1,362	664	7,895	16,915	46,517	67,777	55,164	50,848	214,779
1/31/2006	601	2,540	3,624	1,637	840	9,242	19,010	52,724	77,896	64,357	59,992	245,922
2/28/2006	625	2,681	3,883	1,797	932	9,918	20,732	57,305	86,042	72,500	68,296	270,553
3/31/2006	645	2,835	4,150	1,954	1,034	10,618	22,342	61,132	92,466	79,150	75,516	290,311
4/30/2006	661	2,937	4,368	2,081	1,117	11,164	23,466	63,779	97,479	84,242	81,169	304,888
5/31/2006	673	2,964	4,403	2,122	1,147	11,309	24,545	66,088	101,427	88,672	86,226	317,704
6/30/2006	686	3,026	4,520	2,206	1,184	11,622	25,781	68,121	105,069	92,496	90,453	329,072
7/31/2006	725	3,159	4,728	2,315	1,244	12,171	27,502	71,614	110,129	97,018	95,163	344,396
8/31/2006	770	3,386	5,089	2,518	1,395	13,158	29,354	75,840	116,410	103,073	102,558	364,701



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

GARY A. AMELIO
Executive Director

September 6, 2006

MEMORANDUM FOR BOARD MEMBERS SAUL, FINK, WHITING,
SANCHEZ, AND DUFFY

FROM: GARY A. AMELIO
Executive Director

SUBJECT: Fiscal Year 2006 Budgeted and Projected Expenditures, Fiscal Year
2007 Budget, and Fiscal Year 2008 Budget Estimate

Background

Section 8472(i) of the Federal Employees' Retirement System Act of 1986 states:

The Board shall prepare and submit to the President, and, at the same time, to the appropriate committees of Congress, an annual budget of the expenses and other items relating to the Board which shall be included as a separate item in the budget required to be transmitted to the Congress [annually by the President].

The Office of Management and Budget (OMB) is now starting its work on the Fiscal Year 2008 Budget of the U.S. Government, which will be transmitted by the President to the Congress in February 2007.

Attached are the Agency's proposed administrative budget for fiscal year 2007 and a first estimate for fiscal year 2008. Projected final expenditures for fiscal year 2006 are also presented in the tables. The figures are provided by the Federal Government's prescribed budgeting "object classes," by Agency office, and by function. Salient elements of the 2006 projected expenditures, 2007 budgeted expenditures, and 2008 estimated expenditures are summarized below.

Following your approval, the Agency's 2007 budget (together with the 2008 estimate) will be provided to the Congress and to OMB for inclusion in the President's budget.

Fiscal Year 2006 Status

The current projection for normal operations during the fiscal year ending September 30, 2006, indicates total obligations will be \$83.4 million, or \$6.0 million (7%) under the \$89.4 million approved budget. The principal variances from the budget were:

- a) Record keeping costs were \$3.9 million above budget, principally due to costs associated with transitioning the activities formerly performed by the USDA National Finance Center to private sector contractors.
- b) Participant communications were below budget by \$6.4 million, because revision and reissuance of several major publications has been deferred to fiscal year 2007, and distribution of stock materials has been lower than anticipated.
- c) Agency personnel costs were below budget by \$1.0 million as a result of the Agency restructuring during the latter part of the fiscal year. Year end staffing is projected to be 69 full time permanent employees, compared to 91 positions budgeted at the beginning of the year.
- d) Other operating expenses were \$2.5 million below budget.

Fiscal Year 2007 Budget

The proposed budget of \$87.6 million for FY 2007 is a decrease of \$1.8 million (2%) from the FY 2006 budget of \$89.4 million, but an increase of \$4.2 million (5%) above the FY 2006 level of operations of \$83.4 million. The principal components of the FY 2007 budget are:

- ▶ Record keeping activities: \$63.0 million (\$0.2 million below FY 2006 expenditures)

The budget includes \$22.9 million for system support and software, including \$3.0 million for operating system and security upgrades and \$1.4 million for system enhancements; \$18.5 million for operations of the data, call, and recovery centers; and \$21.6 million for other recordkeeping activities, such as mail handling, data entry, benefits processing, and system accounting.

- ▶ Participant communications: \$8.2 million (\$5.3 million above FY 2006 expenditures)

The FY 2007 budget for participant communications includes \$3.9 million for printing and distribution of brochures, forms, and other materials, including updates and revisions that will be required as result of recent changes in pension law; \$3.8 million for postage for direct mailings of materials to participants; and \$0.6 million for a new DVD.

- ▶ Agency staff: \$8.9 million (\$0.7 million below FY 2006 expenditures)

The FY 2007 budget provides for the salaries and benefits of 73 full-time positions and 10 part-time positions. The reduction from FY 2006 expenditures reflects the first full year of activity under the streamlined Agency organizational structure.

- ▶ Other operating expenses: \$7.5 million (\$0.1 million below FY 2006 expenditures)

This element provides for the ongoing operating expenses of the Agency headquarters, including office space rental (\$2.3 million), information technology (\$1.2 million), and other operating expenses, such as travel, miscellaneous contractual expenses, supplies, and office equipment (\$4.0 million). New administrative initiatives planned for FY 2007 include website redesign, documentation and reporting of internal controls, and web-based participant surveys.

Fiscal Year 2008 Budget Estimate

The initial estimate for FY 2008 obligations is \$89.0 million, or \$1.4 million above the FY 2007 budget. The major programs and the changes from the FY 2007 operating plan reflected in this estimate are:

- ▶ Record keeping activities: \$65.4 million (\$2.4 million above the FY 2007 budget)

The increase is due principally to anticipated workload increases for the mail processing and data entry functions and related postage.

- ▶ Participant communications: \$6.3 million (\$1.9 million below the FY 2007 budget)

After the one-time costs for republication of revised materials in FY 2007, printing costs will revert in FY 2008 to the level of ongoing requirements.

- ▶ Agency staff: \$9.4 million (\$0.5 million above the FY 2007 budget)

FY 2008 costs for salaries and benefits are estimated to increase principally due to the standard government-wide pay raises in January 2007 and 2008.

- ▶ Other operating expenses: \$7.9 million (net increase of \$0.4 million from the FY 2007 budget)

The increase in the FY 2008 estimate is principally due to the cost of an audit of Agency controls.

Recommendation

I recommend that the Agency's proposed fiscal year 2007 budget be approved as attached. I will then forward it, together with the fiscal year 2008 estimate as attached, to the Congress and to OMB for inclusion with the Fiscal Year 2008 Budget of the United States Government.

Attachments

Federal Retirement Thrift Investment Board Budget

	<u>FY 2006</u>	<u>FY 2007</u>		<u>FY 2008</u>	
	<u>Projection</u>	<u>Budget</u>	<u>Change '06-'07</u>	<u>Estimate</u>	<u>Change '07-'08</u>
SUMMARY, by Federal Budgetary Object Class					
1. Permanent Salaries (11.1, 11.3, 11.5)	\$7,275,000	\$7,108,000	-\$167,000	\$7,544,000	\$436,000
2. Temporary Salaries (11.3)	6,000	36,000	30,000	40,000	4,000
3. Benefits (12.0)	2,373,000	1,761,000	-612,000	1,864,000	103,000
4. Travel (21.0)	201,000	352,000	151,000	371,000	19,000
5. Transportation of Things (22.0)	22,000	0	-22,000	0	0
6. Rental of Space (23.1)	2,826,000	2,842,000	16,000	3,026,000	184,000
7. Communications, Utilities and Misc. Charges (23.2)	8,873,000	9,628,000	755,000	9,355,000	-273,000
8. Printing (24.0)	955,000	3,866,000	2,911,000	4,039,000	173,000
9. Consultants (25.1)	261,000	445,000	184,000	374,000	-71,000
10. Commercial Contracts (25.2)	45,023,000	53,825,000	8,802,000	55,186,000	1,361,000
11. NFC (25.3)	9,074,000	0	-9,074,000	0	0
12. Other Government Services (25.3)	588,000	750,000	162,000	732,000	-18,000
13. Supplies and Materials (26.0)	205,000	231,000	26,000	235,000	4,000
14. Furniture and Equipment (31.0)	<u>5,718,000</u>	<u>6,783,000</u>	<u>1,065,000</u>	<u>6,246,000</u>	<u>-537,000</u>
TOTAL	<u>\$83,400,000</u>	<u>\$87,627,000</u>	<u>\$4,227,000</u> 5%	<u>\$89,012,000</u>	<u>\$1,385,000</u> 2%
Fiduciary Insurance (42.0)*	\$306,000	\$500,000	\$194,000	\$500,000	\$0
* Paid from special fund assessed against Federal agencies					

Federal Retirement Thrift Investment Board Budget

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
	<u>Projection</u>	<u>Budget</u>	<u>Estimate</u>
		<u>Change '06-'07</u>	<u>Change '07-'08</u>
SUMMARY, by Agency Office			
EXECUTIVE DIRECTOR	\$507,000	\$647,000	\$667,000
		\$140,000	\$20,000
AUTOMATED SYSTEMS			
Agency Operations	\$3,135,000	\$4,168,000	\$4,307,000
NFC	\$9,074,000	\$0	\$0
External Vendors (Record Keeping)	\$46,520,000	\$35,505,000	\$35,405,000
Subtotal	<u>\$58,729,000</u>	<u>\$39,673,000</u>	<u>\$39,712,000</u>
		-\$11,015,000	-\$100,000
		-\$19,056,000	\$39,000
EXTERNAL AFFAIRS	\$330,000	\$354,000	\$371,000
		\$24,000	\$17,000
FINANCE			
Agency Operations	\$3,052,000	\$2,987,000	\$3,472,000
Facilities	\$2,462,000	\$2,551,000	\$2,701,000
External Vendors (Recordkeeping)	\$0	\$3,000,000	\$3,000,000
External Vendors (Administration)	\$588,000	\$620,000	\$595,000
Subtotal	<u>\$6,102,000</u>	<u>\$9,158,000</u>	<u>\$9,768,000</u>
		\$3,056,000	\$610,000
GENERAL COUNSEL	\$954,000	\$954,000	\$1,085,000
		\$0	\$131,000
INVESTMENTS	\$2,570,000	\$673,000	\$694,000
		-\$1,897,000	\$21,000
PARTICIPANT SERVICES			
Agency Operations	\$3,406,000	\$3,002,000	\$2,812,000
Communications Materials	\$2,955,000	\$8,225,000	\$6,277,000
External Vendors (Record Keeping)	\$7,594,000	\$24,478,000	\$26,975,000
Subtotal	<u>\$13,955,000</u>	<u>\$35,705,000</u>	<u>\$36,064,000</u>
		-\$404,000	-\$190,000
		\$5,270,000	-\$1,948,000
		\$16,884,000	\$2,497,000
		\$21,750,000	\$359,000
PRODUCT DEVELOPMENT	\$253,000	\$463,000	\$651,000
		\$210,000	\$188,000
TOTAL	<u>\$83,400,000</u>	<u>\$87,627,000</u>	<u>\$89,012,000</u>
		\$4,227,000	\$1,385,000
		5%	2%

Federal Retirement Thrift Investment Board Budget

	FY 2006		FY 2007		FY 2008	
	Projection	Budget	Budget	Change '06-'07	Estimate	Change '07-'08
SUMMARY, by Function						
RECORD KEEPING						
System support and software	\$23,544,000	\$22,883,000	\$22,883,000	-\$661,000	\$23,227,000	\$344,000
Data centers and operations	\$8,999,000	\$9,118,000	\$9,118,000	\$119,000	\$8,558,000	-\$560,000
Call centers and operations	\$7,764,000	\$9,394,000	\$9,394,000	\$1,630,000	\$9,542,000	\$148,000
Other recordkeeping activities	\$22,881,000	\$21,588,000	\$21,588,000	-\$1,293,000	\$24,053,000	\$2,465,000
Subtotal	\$63,188,000	\$62,983,000	\$62,983,000	-\$205,000	\$65,380,000	\$2,397,000
COMMUNICATIONS MATERIALS	\$2,955,000	\$8,225,000	\$8,225,000	\$5,270,000	\$6,277,000	-\$1,948,000
PERSONNEL SALARIES AND BENEFITS	\$9,654,000	\$8,905,000	\$8,905,000	-\$749,000	\$9,448,000	\$543,000
OTHER AGENCY OPERATIONS	\$7,602,000	\$7,514,000	\$7,514,000	-\$88,000	\$7,907,000	\$393,000
TOTAL	\$83,399,000	\$87,627,000	\$87,627,000	\$4,228,000	\$89,012,000	\$1,385,000
				5%		2%