



MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 17, 2009

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, by telephone, convened a meeting of the Board members on August 17, 2009, at 10:00 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, Terrence A. Duffy of Illinois, member; 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; Thomas J. Trabucco, Director, External Affairs; and Renée Wilder, Director, Research and Strategic Planning.

1. Approval of the minutes of the July 20, 2009 Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the July 20, 2009 Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting that was held on July 20, 2009, be approved.

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

a. Participant Activity Report

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). The Fund continues to rebound and is now above \$223 billion.

Ms. Wilder explained that while it appears that the FERS participation rate has declined, this figure is largely a function of mathematics. As a result of the June legislation, the number of FERS participants receiving agency contributions increased by 59,000 from May to June and by 46,000 from June to July. These monthly increases are comparable to increases the Plan experienced for the entire previous year. Further, the number of individuals not contributing but receiving agency contributions also increased significantly. The FERS participation rate is calculated by dividing the total number of FERS participants making contributions by the sum of FERS participants making contributions and FERS receiving agency contributions but not contributing. With the implementation of

immediate agency contributions, the Agency received information on employees previously unknown to the Agency. These are FERS employees who were not contributing on their own but will now be receiving agency contributions. As a result, the denominator used to determine the FERS participation rate increased at a rate more than twice the increase experienced in the numerator, and the participation rate, which was 84.6 percent at the end of May, declined to 83.8 percent in June, and then declined further to 82.3 percent in July. This number should start to stabilize in the coming months.

The total number of FERS participants increased from 2.139 million at the end of May to 2.225 million at the end of July. The recent legislation has resulted in an increase in the number of new participants over the past two months at a level roughly equivalent to the increase experienced for the entire previous year. Mr. Long emphasized that this is an important point as the Plan is growing and growing rapidly.

Ms. Wilder noted that when automatic enrollment is implemented in 2010, it is likely that these participation numbers will change significantly. The main takeaway is that, despite temporary dislocations relating to the participation rates, the Plan now has almost 4.2 million participants and this number will likely only continue to increase.

b. Quarterly Investment Performance Report

Ms. Ray reviewed the August 7, 2009 memorandum (attached), entitled "July 2009 Performance Review." For July, BGI's small-mid cap fund had a tracking error of negative 37 basis points, and year-to-date, a tracking error of negative 205 basis points. As discussed at the last Board meeting, much of this tracking error should be reduced when the index provider makes some changes in September and December.

The International Fund had a positive tracking error of 61 points, and year-to-date, negative 83 basis points. This is a result of fair value adjustments.

The G Fund rate is still 3.25 percent for the third month in a row.

As far as fund performance, the market came roaring back in July and all funds, except the I Fund, were up for the fifth month in a row. Through Friday's close, year-to-date, the I Fund is up 19 percent, the S Fund is up 20 percent, and the C Fund is up 13 percent.

The L Funds also had a positive month. For the first time in a long time, the L Funds have a positive performance since inception. There are a record 607,000 participants with L Fund accounts.

c. Legislative Report

Mr. Trabucco reported that Congress is on summer recess and scheduled to return on September 8th for the fall session.

3. Project Management Overview.

Mr. Long noted that, in order to allow Chairman Saul to attend to a pressing business matter, the September Board meeting will be held on Thursday, September 24th. This meeting is scheduled to start at 9:00 a.m., but, in anticipation of a long meeting, Mr. Long would like to start the meeting with the executive session and commence the open session at 9:30 a.m. or 10:00 a.m. Mr. Long also reminded the Board members that during the November session, they will have ethics and fiduciary training and should plan for an all-day event.

Mr. Long then discussed the August 10, 2009 memorandum (attached) entitled "Project Management Overview." This memorandum is in response to Chairman Saul's request for an update regarding the team's progress on various projects. Two important events occurred this year for the team. First, the Agency formalized a strategic plan which identifies the Agency's mission, core values, and vision and also defines the Agency's goals over the next two years. Second, on June 22nd, the President signed the Thrift Savings Plan Enhancement Act which contains legislation that affects the TSP.

Over the next two years, the Agency will be very busy and much of this work will be behind the scenes. Several projects, such as those attributable to the legislation, will be high-profile and these projects are summarized in the August 10th memorandum.

Implementing immediate agency contributions is a project that started even before the President signed the bill. The Agency published its related regulation on June 19th, and, right away, Ms. Moran and her team were consulting with agency human resources and payroll professionals to ensure immediate agency contributions could occur as soon as possible. In August, all contributing FERS participants began to receive agency automatic contributions. This is a significant improvement that will change the mindset of new Federal employees because if they want agency matching money, they have to contribute right away.

The June legislation also authorized automatic enrollment which should be fully implemented by spring 2010. The Agency has already been talking to agency HR and payroll professionals as well as recordkeeping and service vendors in anticipation of this change.

Spouse beneficiary accounts will likely be in place in early 2010.

Establishing the Roth account feature is probably the largest scale project created by the new legislation. This change will touch almost every

component of the Agency (e.g., recordkeeping, accounting, forms, etc.) and will likely take about two years.

Because of concerns raised by the Employee Thrift Advisory Counsel (ETAC) and the Board, there are no formal planning steps in place regarding the mutual fund window. Mr. Long would like to have further discussions with both groups regarding the mutual fund window feature which was authorized by the June legislation.

Updating the TSP's website has been a project that the Agency has been working on for over a year. Ms. Moran and Ms. Wilder and their teams have been actively involved in this initiative. The beta site should be rolled out in October, and the new site should be ready in the first quarter of 2010.

Establishing the L2050 Fund and retiring the L2010 Fund has been a surprisingly large project. This project is underway and on schedule.

Finally, the Agency is looking to develop e-messaging capabilities so that it can respond to e-mail inquiries from participants. The Agency anticipates rolling-out this feature with the new website in the first quarter of 2010.

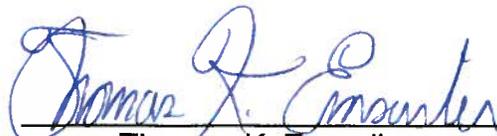
Mr. Long noted that an update on the Agency's projects is also available on the website at a publication called Legislative Changes to the Thrift Savings Plan.

Mr. Hagerty reported that his group is on track and wrapping-up FY2009 activities.

Mr. Fink and Mr. Whiting requested that Mr. Long update the strategic plan so that it is up-to-date and reflects whether tasks have been completed. They also requested that the strategic plan be e-mailed or faxed to the Board members. Mr. Long will be reporting on the various projects on a regular basis.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 10:29 a.m.

MOTION: That this meeting be adjourned.


Thomas K. Emswiler
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. July 2009 Performance Review – G, F, C, S, I, and L Funds
3. Project Management Overview