FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, NE Washington, DC 20002

MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 27, 2012

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on August 27, 2012, at 9:00 a.m., Eastern Time. Parts of the meeting were open to the public at the Board's offices at 77 K Street, N.E. and parts were closed to the public. In attendance were Dana K. Bilyeu of Nevada, member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; Gregory T. Long, Executive Director; James B. Petrick, Secretary and General Counsel; Susan C. Crowder, Acting Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; Kimberly A. Weaver, Director, External Affairs; Mark E. Walther, Chief Technology Officer; Renee C. Wilder, Director, Research and Strategic Planning; Thomas K. Emswiler, Director, Office of Benefits; Sophie T. Dmuchowski, Acting Director, Office of Communications; Gisile Goethe, Acting Director, Resource Management; Anne Beemer, Acting Director, Enterprise Risk Management; Toni Bush-Neal, Executive Advisor to the Director.

1. Approval of the minutes of the July 27, 2012 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the July 27, 2012 Board member meeting.

MOTION: That the minutes of the Board member meeting that was held on July 27, 2012 be approved.

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

a. Monthly Participant Activity Report

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). Ms. Wilder stated that 20,000 participants have invested 13 million dollars in Roth balances.

The auto-enrolled participation rates continue to be high, with an opt-out rate of only 2.9 percent. Ms. Wilder would not be surprised to see that number increase, but predicts it will not reach the opt-out rate levels of the industry experience, which are typically around 4 percent. Mr. Long pointed out that month by month, the participation rate in the TSP has been increasing towards 90 percent. For the month of July, the participation rate remained at 86.5 percent.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "July 2012 Performance Review – G, F, C, S, I, and L Funds" (attached). The first page compares BlackRock Funds' performance measured against their underlying indices. The Small to Midcap Fund outperformed the index by 6 basis points for the month and 23 basis points for the year, and that outperformance is largely due to optimization. The International Fund underperformed by 58 basis points for the month, as a result of fair value pricing.

For the G Fund, the 10 year note is at 1.67 percent, and the 30 year note is 2.77 percent, up 20 basis points from the previous month. The C Fund is up 2.5 percent, after rising and decreasing significantly throughout the month in response to news reports. The S Fund is up 3.3 percent, and the I Fund is up 4 percent.

c. Legislative Report

Ms. Weaver reported that the Office of General Counsel reviewed the phased retirement bill that had recently been signed into law, and determined that an employee who enters into phased retirement will not be considered separated for TSP purposes, and will continue to be able to contribute to the TSP, and the Office of Personnel Management agrees with that assessment. On August 1st, the House passed the IRS levy bill, which will proceed to the Senate. Ms. Weaver also reported that on July 31st, Mr. Long testified before the Oversight of Government Management Subcommittee's hearing that focused on the Privacy Act. Mr. Long told the Board members that one of the topics relevant to the testimony was to have a breach response plan in place. The Agency currently has a breach response plan in place.

d. Audit Report

Ms. Beemer explained that the Department of Labor engaged KPMG to conduct a performance audit of the TSP computer access and technical securities controls, and the scope was limited to focus on the open recommendations from prior DOL audits. Ms. Beemer then reviewed the report, "Audit of the Thrift Savings Plan Computer Access and Technical Security Controls" (attached), along with the Agency's response and status updates of the recommendations.

e. Communications Strategy Presentation

Ms. Dmuchowski provided a presentation on the Office of Communications and Education (attached). Ms. Dmuchowski explained that the mission of the office is to educate and inform participants, potential participants, beneficiaries, and TSP partners, so that participants may take full advantage of the Plan's features and benefits in meeting retirement goals. She reviewed current strategies and methods of delivering information, including traditional mailings, the internet, conferences, webinars, and the phone center. Ms. Dmuchowski also reviewed future goals for the Office of Communications and Education, including the use of videos, email, mobile apps, social media, and interactive tools, including wizards.

f. Agency Staffing Capabilities

Ms. Goethe addressed some of the Agency's human resource staffing capabilities. Ms. Goethe stated that the Agency is in the process of seeking an experienced personnel officer to be able to increase the hiring of staff. The Agency has continued to build its human resource division, as well as using the expertise of the Office of Personnel Management to assist with posting vacancies. Mr. Long explained that, for several years, HR did not have the correct resources to fill open positions, but that Ms. Goethe's efforts have begun to address the backlog.

3. Closed Session

On a vote taken by the Chairman, the members closed the meeting at 11:15 a.m. for executive session.

At 12:38 p.m., upon completion of the executive session, the members reconvened the open portion of the meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 12:38 p.m.

MOTION: That this meeting be adjourned.

James B. Petrick
Secretary

Attachments
1. Thrift Savings Fund Statistics
2. July 2012 Performance Review –G, F, C, S, I, and L Funds
3. Audit of the Thrift Savings Plan Computer Access and Technical Security Controls
4. Office of Communications and Education Presentation