



MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 15, 2010

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 15, 2010, at 9:07 a.m., Eastern Time. Parts of the meeting were 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; Alejandro M. Sanchez of Florida, member; 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 February 16, 2010 Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the February 16, 2010 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 February 16, 2010, be approved.

2. Thrift Savings Plan activity report by the Executive Director.
 - a. Sample Communication Materials

Mr. Long presented the Chairman and the Board members with a folder containing samples of participant communication materials, including a copy of an annual statement; a copy of "How to Read Your Statement"; a copy of the "Highlights," which is the TSP's regular newsletter; and a letter from Mr. Long to participants which gives a summary of what the Agency has been doing this year and what it plans to do next year (attached). The folder also contained a copy of a letter posted on the TSP website, as well as a sample of posters that Ms. Moran's communication team in the Office of Participant Services produced for America Saves Week and Military Saves Week (attached). Mr. Long explained that America Saves Week and Military Saves Week are nationwide campaigns for which dozens of different organizations join to encourage individuals and families to save and build wealth. He noted that Ms. Moran's communication team was very active in promoting the campaign's message during this important week.

Mr. Sanchez mentioned a recent study showing that Americans are under saving for retirement. Mr. Long agreed that there exists a great deal of

news and facts that support the idea that people need to save more and added that the Agency and its staff does what it can to encourage the federal and military workforce to save more.

Chairman Saul asked if all of the communications materials were mailed to participants as one package. Ms. Moran explained that the America Saves and Military Saves campaign materials were not mailed to participants; rather, her team posted Mr. Long's letter on the website and sent the posters electronically to employing agencies and service representatives to print and distribute.

Chairman Saul asked when annual statements were mailed to participants. Mr. Long responded that they were mailed in February. Chairman Saul asked if the sample annual statement provided to the Board members by Mr. Long was that of a real person. Mr. Long said "yes" and explained that personal information had been redacted. Ms. Moran mentioned that the back of the statement displays a personalized message that is tailored to the participant's situation.

The Board members and the Agency senior staff further discussed the various features of the sample annual statement. Mr. Long pointed out a pie chart that shows the allocation of the participant's balance in the different funds. Chairman Saul commented about the account balance history feature which illustrates how the participant's account balance has changed over the year. Ms. Moran pointed out that the statement offers a personalized rate of return. Mr. Long noted that the annual statement lists the participant's beneficiary information, which serves as a reminder for participants to keep beneficiary designations up to date through life events.

Mr. Whiting asked whether every participant receives an annual statement, including those who become participants after the beginning of the year and those who are no longer participants at the end of the year. Mr. Long and Ms. Moran explained that anyone who has any balance in his or her account at any point in time over the course of the entire year receives a statement.

b. Participant Activity Report

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). The total fund balance is at approximately \$246 billion. Cash contributions continue to hold steady at about \$1.8 billion.

Ms. Wilder also noted that the participation rate was level against January, except that there was a small increase in the number of Active Army participants. Mr. Sanchez pointed out that the percentage of contributing uniformed services members is approaching one third. Ms. Wilder and Mr. Long both expressed the opinion that the Roth feature will increase this percentage once it is implemented.

c. Quarterly Investment Performance Report

Ms. Ray reviewed the March 5, 2010 memorandum, entitled "February 2010 Performance Review" (attached). BlackRock's International Fund had a 76 basis point positive tracking error. Ms. Ray noted that the tracking error in February just reverses January's fair-value adjustment.

Ms. Ray recalled that the performance of the TSP funds in January was disappointing and noted that the performance in February and March was better. The S Fund was the best performer in 2009 and it continues to be the best performer in 2010. It was up 4.9 percent for the month of February and, so far, is up another 6.7 percent for March. As of Friday, the S Fund was up 9.2 percent for the year.

The I Fund has been the worst performing fund. The I Fund is up over 5 percent in March, which makes its performance flat for the year. Ms. Ray explained that European stocks constitute two-thirds of the I Fund and that they are suffering because of budget woes in Greece, Spain, Portugal, and Ireland. She further explained that the I Fund's underperformance is also attributable to the fact that the Euro is down 5 percent versus the dollar this year.

Mr. Sanchez said he was disappointed to see movement of monies into the G Fund during a well-performing month. Mr. Long pointed out that some people are looking for stability and the G Fund offers great stability. Mr. Sanchez expressed concern that this was the first positive movement of monies into the G Fund in quite some time. Ms. Ray noted that the last positive movement into the G Fund was in March 2009.

The G Fund rate for March is 3.13%, which is unchanged from the month of February.

Since inception, all of the L Funds except the 2040 Fund have out-performed the equity funds. The 2040 Fund performance is just 4 basis points worse than the I Fund.

A record 663,525 participants are investing in the L Funds. Mr. Whiting asked how many participants are invested solely in L Funds versus other funds. Ms. Ray responded that 4% of participants have their entire account balance invested in one lifecycle fund. Chairman Saul asked if L Fund participation is still increasing. Mr. Long said that interest in the L Funds continues to rise and he thinks that it will continue to rise slowly and steadily for a long time.

Mr. Sanchez observed that uniformed services participants seem more interested in the L Funds compared to FERS or CSRS participants. The percentage of uniformed services participants with balances in L Funds is 17%, which is higher than 16% and 10% for FERS and CSRS participants respectively.

Ms. Moran explained that, as compared to the uniformed services, a higher percentage of FERS and CSRS participants were already enrolled in the TSP before the Lifecycle Funds were introduced. Mr. Long concurred. FERS and CSRS participants appear less receptive to the Lifecycle Funds simply because the Lifecycle Funds were available as an option for a smaller percentage of them at the time they enrolled and made their first contribution allocation.

d. Legislative Report

Mr. Trabucco reported that Congressman Lynch, along with Congressman Jason Chaffetz, expect to introduce legislation this week authorizing TSP contributions from terminal annual leave lump sum payments. Congressman Chaffetz is the ranking Republican on the House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia. Thus, the legislation will be bipartisan. Mr. Whiting asked if there would be any similar movement on the Senate side. Mr. Trabucco said the Senate is waiting to see what the House does.

3. Closing Discussion.

Chairman Saul asked if anyone had further questions. Mr. Sanchez asked Ms. Ray if she is satisfied with BlackRock's tracking error. Ms. Ray responded affirmatively and said that it is all within one or two basis points. She further explained that the tracking error has not been affected by the transition from BGI to BlackRock because BlackRock uses the same program and models.

Chairman Saul asked Ms. Moran and Mr. Long to review the automatic enrollment process with him. Automatic enrollment is scheduled to begin in August. All new civilian federal employees will be enrolled in the plan automatically. The employing agency's payroll office will deduct 3% from each new civilian federal employee's basic pay each period and submit it as a contribution to the TSP. As soon as the TSP receives these contributions, the TSP will invest them in the G Fund and send the newly enrolled participant a Welcome to the TSP Letter, a password, and a pin number to get them started. An automatically enrolled participant has the same account management options as any other participant.

Chairman Saul asked how automatically enrolled participants will know what their options are. Ms. Moran said that the Welcome to the TSP Letter is accompanied by a pamphlet that describes how to manage the account.

Mr. Long mentioned that, eventually, new participants will also receive a DVD. Chairman Saul asked if Mr. Long was referring to a DVD that has already been made. Ms. Moran explained the DVD to which Mr. Long referred is a new DVD that is more extensive than the original DVD, and she offered to provide a sample of the new DVD at May's Board meeting. Chairman Saul asked if the DVD will be sent only to new members. Ms. Moran replied that it will be available to anyone and that participants may access it from the website.

Chairman Saul directed attention to excerpt in the sample communication materials that addressed 375,000 people who are enrolled in the plan but who are noncontributory participants. He asked whether these are the portion of participants who get the one percent agency automatic contribution but do not make any employee contributions. Ms. Moran confirmed that as correct. She explained that these are the participants to whom the TSP mailed the Green Light leaflet back in December and that mailing resulted in an increase in the number of contributing participants in January. She also said that the TSP is going to follow up to see who is still not contributing.

Mr. Whiting asked Ms. Moran how long people have to opt out of automatic enrollment and whether they can get back the contributions that are automatically deducted from their paychecks. Ms. Moran explained that automatically enrolled participants can elect to stop contributions at any time. She also explained that participants can receive a refund of their automatic contributions if they request one within 90 days of the first contribution.

Mr. Whiting asked whether matching contributions associated with refunded automatic employee contributions stay in the plan or go back to the employing agency. Mr. Long answered that matching contributions associated with refunded automatic employee contributions will forfeit to the plan.

One of the Board members inquired about the TSP participation rate among TSP employees. Mr. Long said he knows that such information is available but that he does not know the exact number off the top of his head. He assured the Board that the TSP participation rate among TSP employees was very high, although it was not 100%.

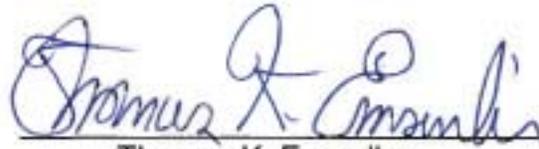
4. Closed Session.

On a vote taken by the Secretary, the members closed the meeting at 9:35 a.m. for executive session.

At 12:34 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 Saul adjourned the meeting at 12:34 p.m.

MOTION: That this meeting be adjourned.



Thomas K. Emswiler
Secretary

Attachments

1. Sample Participant Communication Materials
2. Thrift Savings Fund Statistics
3. February 2010 Performance Review – G, F, C, S, I, and L Fund