



MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 15, 2011

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, by telephone, convened a telephonic meeting of the Board members on August 15, 2011, 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 Alejandro Sanchez of Florida, member (by telephone); Michael D. Kennedy of Georgia, member (by telephone); Dana K. Bilyeu of Nevada, member (by telephone); 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; Veronica Mance substituting for Renee Wilder, Director, Research and Strategic Planning.

1. Approval of the minutes of the July 18, 2011 Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the July 18, 2011 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 18, 2011 be approved.

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

Mr. Long reported that inquiries and transactions handled by the TSP have been substantially above normal due to high volatility in the capital markets. For example, the TSP received about 25,000 interfund transfer requests the previous Monday and Tuesday. This represents 4 or 5 times the number of interfund transfer requests the TSP received per day in August of last year. The number of phone calls received from participants has been averaging about 12,000 per day. That is about 3,000 more phone calls per day than the TSP received in August of last year. During the busiest period on the TSP website, there were over 1,000 concurrent sessions.

Mr. Long said he is pleased to report that TSP participants were well served during the period of market volatility despite a dramatic increase in the volume of inquiries and transactions. He credited previous investments in infrastructure for the TSP's capacity to handle this dramatic increase in volume. The TSP systems are demonstrably more stable and more scalable than they were in 2008.

a. Monthly Participant Activity Report

Ms. Mance reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). She informed the Board that the total TSP fund balance for the month of July was almost \$288 billion. That is a slight decline from last month. She explained that part of the decline is attributable to investment loss and part of the decline is attributable to a slight decrease in total contributions received for the month of July. The TSP typically receives between \$2.1 billion and \$2.2 billion per month in contributions. Last month, the TSP received \$1.9 billion in contributions.

Ms. Mance also reported that the FERS participation rate is holding steady at 85.5%. However, the automatic enrollment opt-out rate increased by 2.7% in July.

b. Monthly Investment Performance Report

Ms. Ray reviewed the August 5, 2011 memorandum, entitled "July 2011 Performance Review" (attached). She reported that the S Fund had some tracking error in the month and year-to-date as a result of the optimization process. The I Fund outperformed by 33 basis points year-to-date, primarily as a result of the tax effect. Trading costs remain high in the I Fund, 18 basis points for the month of July and 25 basis points year-to-date.

The G Fund rate has decreased from 2.63% to 2.25%. Ms. Ray noted that she expects the G Fund rate to decrease further in September. The C Fund was down 2% in July. The C Fund fell further in the first week of August. As of August 12th, the C Fund was down 8.7%, the S Fund was down 11%, the I Fund was down 10.7%, and the F Fund was down 1.6%. Year-to-date, the C Fund is down 5%, the S Fund is down 8%, the I Fund is down 7.44%, and the F Fund is up 6%.

Ms. Ray reported that participants transferred over \$5.5 billion into the G Fund during the month of July. She noted that this is the highest amount of interfund transfer activity that the TSP has ever experienced during one month.

c. Legislative Report

Mr. Trabucco reported that the debt issuance suspension period has ended. He explained that the Agency's staff was in touch with the Department of Treasury daily during the debt issuance suspension period and that the Department of Treasury has confirmed that the G Fund has been made whole.

Mr. Trabucco also reported to the Board that Mr. Long testified at a hearing before the House Subcommittee on Federal Workforce, U.S. Postal Service, and Labor Policy on July 27th. Mr. Trabucco said there were two notable topics of discussion during the hearing. First, Congressman Lynch expressed to Mr. Long that he remains interested in seeing the TSP offer a mutual fund window, as authorized by the Thrift Savings Plan Enhancement Act of 2009. Mr. Trabucco reminded the Board that the vote was 2 to 2 (with one Board member absent) the last time the Board considered a mutual fund window and that ETAC members were similarly divergent in their opinions. Mr. Long added that Clifford Dailing, who represents the National Rural Letter Carriers Association, indicated that he might like to see ETAC and the Board revisit discussions about a TSP mutual fund window.

Second, members of the subcommittee indicated that they might consider reintroducing legislation that would authorize the FRTIB to allow TSP participants to convert the value of their terminal annual leave to TSP contributions when they leave the Federal government. Mr. Trabucco reported that congressional staff would discuss this possibility, along with a statute of limitations on benefits, the IRS levy issue, and the TSP's status as a nonappropriated fund instrumentality, during the August recess.

3. Adjournment.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 10:20 a.m.

MOTION: That this meeting be adjourned.

A handwritten signature in blue ink, appearing to read "Thomas K. Emswiler", written over a horizontal line.

Thomas K. Emswiler
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. July 2011 Performance Review – G, F, C, S, I, and L Fund