



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 26, 2012

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, by telephone, convened a meeting of the Board members on March 26, 2012, at 10:00 a.m., Eastern Time. Parts of the meeting were open to the public at the Board's offices at 77K Street, N.E and parts were closed to the public. In attendance were Dana K. Bilyeu of Nevada, member (by telephone); Ronald D. McCray of Texas, member (by telephone); David A. Jones of Connecticut, member (by telephone); Gregory T. Long, Executive Director; Thomas K. Emswiler, Secretary and General Counsel; James B. Petrick, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer (by telephone); Kimberly A. Weaver, Director, External Affairs; Susan L. Smith, Deputy Chief Information Officer for Software Applications; Renee C. Wilder, Director, Research and Strategic Planning; Susan I. Peine, Deputy Director, Office of Benefit Operations; Sophie T. Dmuchowski, Deputy Director, Office of Communications.

1. Welcome to New Facility

Mr. Long welcomed everyone in the room to the Agency's new office building. He explained that the Agency's new facility at 77K Street offers more space efficiency and greater security than the building on 1250 H Street, and it costs the Agency three dollars per square foot less to lease.

2. Approval of the minutes of the February 27, 2012 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the February 27, 2012 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 27, 2012 be approved.

3. 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). The Plan has exceeded \$308 billion in assets and the FERS participation rate is currently 86.1%. Ms. Wilder reported a 31% overall participation rate for active duty and ready reserve uniformed services members. She also reported that 97% of all new Federal employees participate in the Thrift Savings

Plan because they made a contribution election or because they chose not to opt out of automatic enrollment. Mr. Long explained that the TSP's FERS participation rate is slowly increasing as new employees are automatically enrolled.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "February 2012 Performance Review – G, F, C, S, I, and L Funds" (attached). She noted that the International Fund had a tracking error of negative 0.60 basis points because of a fair valuation assessment that occurred at the end of the month. This tracking error should reverse itself at the end of the month unless there is another fair valuation.

The F Fund trading costs are 10.9 basis points. That is still relatively high, but it is lower than it was in January because liquidity in the markets is increasing. Mr. Jones asked Ms. Ray to explain why trading costs in the S Fund are negative. Ms. Ray explained that negative trading costs occur when a trade is executed at better than the closing price.

The G Fund rate went up to 1.58%. Ms. Ray predicts that the G Fund rate will increase again in April because the 10 year T-note rate has increased. Ms. Ray also noted that participants have transferred over \$2 billion out of the G Fund so far this year.

All of the stock funds are up two months in a row for the first time since 2010. So far in March, the S fund is up 1.96% and the C Fund is up 2.43%. Year-to-date, the I Fund is up almost 11%, the C Fund is up a little more than 11%, and the S Fund is up 14%.

c. Legislative Report

Ms. Weaver reported that the Senate Transportation Bill (S. 1813), which contains the provision clarifying that the IRS can levy TSP accounts, passed on March 14th by a bipartisan vote of 74 to 22. The fate of the bill in the House is not yet clear. The House Transportation Bill, which contains the provision that would allow annual leave amounts to be rolled over into the Thrift Savings Plan, was approved in committee.

Ms. Weaver also discussed S. 1515. This bill would allow approximately 125 Secret Service employees who were hired in 1983 through 1985 to use their Thrift Saving Plan balances to buy into the D.C. Police and Firefighter Retirement and Disability System. Ms. Weaver and Mr. Emswiler met with the Senate Homeland Security and Governmental Affairs Committee staff at the beginning of March to discuss some of the FRTIB's concerns with the bill. Specifically, the bill conflicts with Internal Revenue Code provisions, it creates a special set of benefits for a very small group of participants, and it would permit the use of Thrift Saving Plan Funds for budget

scoring purposes. A majority of ETAC has also voiced their concerns with the bill, and Ms. Weaver has been told by committee staff that the bill is going to be revised.

4. Closed Session

On a vote taken by the Chairman, the members closed the meeting at 10:41 a.m. for executive session.

At 12:36 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 12:36 p.m.

MOTION: That this meeting be adjourned.


Thomas K. Emswiler
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. February 2012 Performance Review –G, F, C, S, I, and L Funds