



MINUTES OF THE MEETING OF THE BOARD MEMBERS

January 28, 2013

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on January 28, 2013, at 12:00 p.m., Eastern Time. The meeting was open to the public at the Board's offices at 77 K Street, N.E., Washington D.C. 20002. 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, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; Kimberly A. Weaver, Director, External Affairs; Mark Walther, Chief Technology Officer; Renee C. Wilder, Director, Office of Enterprise Planning; Thomas K. Emswiler, Director, Office of Benefits; Anne Beemer, Acting Director, Office of Enterprise Risk Management; Sophie T. Dmuchowski, Acting Director, Office of Communications and Education; Gisile Goethe, Acting Director, Office of Resource Management.

1. Approval of the minutes of the December 17, 2012 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the December 17, 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 December 17, 2012 be approved.

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

Mr. Long gave opening remarks, including a brief summary of the agenda for the meeting, and an explanation of the delayed start due to the weather conditions.

- a. Monthly Participant Activity Report

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). At the end of 2012, Plan assets reached \$330 billion, with 4.6 million participations in the Plan. In December, there was a significant increase in Uniformed Services' Roth participation rates.

- b. Legislative Report

Ms. Weaver reported that Congress passed and the President signed the IRS levy bill. The fiscal cliff bill was also passed, and it included a provision that allows the TSP and other qualified plans to convert traditional accounts to Roth accounts. Ms.

Weaver reported that three bills have been introduced in the House that would eliminate participation in FERS for members of Congress. Ms. Weaver noted that similar bills have been introduced in the past but have not been passed.

Additionally, Mr. Long received a letter from the Secretary of the Treasury stating that, due to the debt ceiling, part or all of the investments in the G Fund would begin being suspended. Ms. Weaver explained that information has been on the Plan website for participants, including a GAO report from last year that reviewed the most recent debt limit incident and explains that the TSP G Fund was made whole, as required by law.

Mr. McCray asked if there had been any feedback in connection with a recent article regarding the TSP in the Wall Street Journal, and Ms. Weaver reported that it had been mentioned in publications that follow federal employee issues urging participants to read the article before moving money out of the TSP.

c. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "December 2012 Performance Review – G, F, C, S, I, and L Funds" (attached). The Small Mid Cap Fund outperformed the underlying index by 6 basis points for the month, and 58 basis points for the year, mainly due to optimization. The International Fund was fair valued on the last day of the year, contributing to an 82 basis point tracking error.

In December the F Fund had its first negative return since March. So far in January, the C Fund is up 5.5 percent, the S Fund up 7.3 percent, and the I Fund up 4 percent. The I Fund was the best performing fund in 2012.

In December, \$3 billion was transferred into the G Fund, probably in response to the fiscal cliff situation. In January, \$3 billion was transferred out of the G Fund. The G Fund rate is 1.5 percent for January.

Ms. Ray explained that an audit of the BlackRock's proxy votes for the third quarter of 2012 found no exceptions in its voting policy. Mr. Long recommended that the Board maintain the Investment Policy. The members then reviewed the Board's investment policy and made, seconded, and adopted the following resolution by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. § 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund (5 U.S.C. § 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

d. Quarterly Vendor Financial Status Report

Ms. Crowder reviewed two Agency vendors, BlackRock and MetLife. BlackRock reported third quarter long-term net inflows of \$31.3 billion and \$3.7 trillion in assets under management, which is a 10 percent increase for the year. On December 5th, BlackRock announced that it had returned to investors substantially all of the proceeds out of profit from its BlackRock Public/Private Investment Fund.

MetLife reported earnings of \$1.4 billion, or \$1.32 per share, which is up 47 percent from last year's third quarter. MetLife reported a net loss of \$984 million, including a \$1.6 billion after-tax goodwill impairment. MetLife sold its MetLife Bank Deposit business to G.E. Capital Retail Business.

Mr. Jones noted that he would like the Agency to learn more about Ryan & Maniskas, LLP's inquiry regarding potential securities law violations by Active Network. Ms. Crowder noted that her team will look into the matter.

e. Annual Administrative Expenses Report

Ms. Wilder reviewed the administrative expenses for the year. Gross expenses for Calendar Year 2012 were \$140.6 million, an increase from 2011 expenses of \$118.3 million. The gross basis point ratio decreased from 4.78 percent in 2011 to 4.54 percent in 2012, and net expenses to plan participants were 2.73 basis points due to offset from loan fees and forfeitures.

f. Annual Statement

Ms. Dmuchowski introduced the redesigned annual statement, reviewed some of the changes and highlights of the new statement. An account distribution as of

the end of the year is included, as well as an investment allocation of future contributions, fund performance, administrative expenses, and an activity summary by Fund.

3. Board Calendar.

Mr. Long reviewed the Board Calendar, and noted that March's meeting had changed from telephonic to a regular in person meeting.

4. Closed Session.

On a vote taken by the Chairman, the members closed the meeting at 1:06 p.m. for Executive Session.

At 3:32 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 3:32 p.m.

MOTION: That this meeting be adjourned.



James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. December 2012 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Financial Assessment of TSP's Primary Vendors - January 2013
4. Memorandum from Gregory Long re Participant Statements