



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 25, 2013

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 25, 2013, at 9:00 a.m., Eastern Time. The meeting was held at the Board's offices at 77 K Street, N.E., Washington D.C. 20002. Parts of the meeting were open to the public and parts of the meeting were closed to the public. In attendance were Dana K. Bilyeu of Nevada, member (by telephone); 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; Renee C. Wilder, Director, Office of Enterprise Planning; Thomas K. Emswiler, Director, Office of Benefits; Mark E. Walther, Chief Technology Officer; Jay Ahuja, Director, Office of Enterprise Risk Management; Anne Beemer, Deputy Director, Office of Enterprise Risk Management; Sophie T. Dmuchowski, Acting Director, Office of Communications and Education; Gisile Goethe, Acting Director, Resource Management; Toni Bush-Neal, Executive Advisor to the Executive Director.

1. Approval of the minutes of the February 25, 2013 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the February 25, 2013 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 25, 2013 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.

a. Monthly Participant Activity Report

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). Ms. Wilder reported that assets under management exceeded \$337 billion in February. Currently the Plan has 4.6 million participants, with 147,000 of those participants holding Roth accounts. Roth TSP continues to gain participants who are members of the Uniformed Services.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "February 2013 Performance Review – G, F, C, S, I, and L Funds" (attached). The first page compares BlackRock Funds' performance against their underlying indices both for the month of February and year-to-date. Ms. Ray pointed out that there was some tracking error in the Fixed Income Fund and the International Fund for the year-to-date performance because of a change in pricing services and fair value adjustment that occurred December 31, 2012, respectively.

So far for the month of March, the C Fund was up almost 3 percent, the S Fund up 3.7 percent, and the I Fund up 1.4 percent. Year-to-date, the C Fund is up 9.7 percent, the S Fund up 12 percent, and the I Fund up 4.9 percent.

c. Legislative Report

Ms. Weaver reported that the House and the Senate approved a continuing resolution that funds the government through September 30, 2013. The resolution locks in \$85 billion in funding cuts for the year, which means furloughs are likely for some agencies. Ms. Weaver also reported that the Senate and House each passed a budget resolution that will go to conference. The House resolution calls for Federal employees to contribute more to their retirement and calls for a 10 percent reduction of Federal employees, while the Senate resolution does not contain any similar provision.

3. Shareholder Actions.

Mr. Long introduced a memorandum from the Chief Investment Officer responding to a Board question about Shareholder actions (attached).

4. Demographics Report.

Ms. Wilder presented the results of a demographics report obtained by matching TSP and OPM data (attached). The collection focused on FERS participants but did not include Uniformed Service members, judicial or legislative branch employees, or separated participants. Ms. Wilder reviewed the slides showing participation rates, average annual contributions, and investment allocations. She summarized that TSP participation rates are strong, and that lower paid participants are deferring at rates that allow them to take advantage of matching contributions. In the future, the hope is for more real time analysis in order to better understand participant motivation, and to better serve participants with targeted information.

5. Annual Financial Audit Report.

Mr. Ahuja summarized a March 15 memorandum updating the Board on the status of audit recommendations from 2004-2012 (attached). The memorandum introduces a report that shows the number of recommendations provided by three oversight organizations, the Department of Labor, external auditors CliftonLarsonAllen,

and the U.S. Government Accountability Office. Of the 127 audit recommendations in that time period, sixty eight have been closed. Of the remaining fifty nine open audit recommendations, nineteen are considered closed by the Agency, and Agency does not concur with the recommendation for two of the remaining open recommendations.

Mr. Ian Dingwall, Chief Accountant of the Employee Benefits Security Administration, introduced Department of Labor audit staff and auditors from KPMG. Mr. William Bailey from the Department of Labor presented an overview of the TSP Fiduciary Oversight Program. Mr. Bailey stated that the overall conclusion from the Department of Labor was that DOL did not identify any instances of material noncompliance with FERSA. Mr. Bailey stated that with increased funding for the next year, DOL anticipates being able to look more thoroughly at IT programs and other areas, including the current investment manager for the Plan.

Mr. Derek Thomas, the engagement partner for KPMG, spoke about planned audits for the year, including 6 performance audits in the IT area. A full scope performance audit on the account maintenance process and a project related to the Lifecycle Funds are also planned. Mr. Thomas stated that the Service Continuity Controls audit from 2012 was in the final phases, and that the report would be available shortly. Mr. Thomas also presented an overview of the open recommendations. KPMG made eleven new fundamental control recommendations, eight of which were in areas of participant support, and four new fundamental control recommendations as a result of the computer access performance audit. Mr. Long stated that in the Agency's response to the findings (attached), the Agency presented specific actions to close the recommendations along with anticipated closing dates.

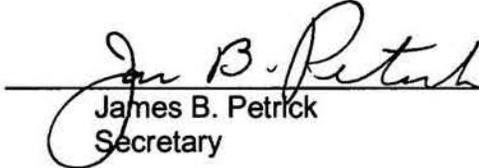
6. Closed Session.

On a vote taken by the Chairman, the members closed the meeting at 10:33 a.m. for executive session.

At 11:24 a.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 11:24 a.m.

MOTION: That this meeting be adjourned.


James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. February 2013 Performance Review – G, F, C, S, I, and L Funds
3. Investment Fund Legal Settlements
4. Participant Behavior and Demographics
5. Update on Audit Recommendations 2004-2012
6. Performance Audit of Certain Thrift Savings Plan Policies and Procedures of the Federal Retirement Thrift Investment Board Administrative Staff
7. Agency's response to the Final Report