



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

January 27, 2014

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board (Agency), convened a meeting of the Board members on January 27, 2014, at 9:00 a.m., Eastern Time. Parts of the meeting were open to the public at the Board's offices at 77 K Street, N.E. and parts were closed to the public. In attendance were Dana K. Bilyeu of Nevada, member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Greg 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 E. Walther, Chief Technology Officer; Thomas K. Emswiler, Director, Participant Operations and Policy; Jay Ahuja, Chief Risk Officer, Office of Enterprise Risk Management; Gisile Goethe, Director, Office of Resource Management; Renee C. Wilder, Director, Office of Enterprise Planning; James Courtney, Director, Office of Communications and Education; Megan G. Grumbine, Executive Advisor to the Executive Director.

1. Closed Session.

On a vote taken by the Chairman, the members closed the meeting at 9:11 a.m. for executive session.

At 10:03 a.m., upon completion of the executive session, the members reconvened the open portion of the meeting.

2. Approval of the minutes of the December 16, 2013 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the December 16, 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 December 16, 2013 be approved.

3. 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). The Plan participation rate declined slightly in December 2013, most likely due to participants reaching the 402(g) limit prior to the end of year. Ms. Wilder reported that Roth participation rates continue to increase, particularly among the uniformed services, where 19 percent of uniform service participants have Roth accounts. Lastly, Ms. Wilder noted that while the number of participant withdrawals and loans declined in December compared to prior months, the Agency experienced more loan and in-service withdrawal requests during calendar year 2013 than it did in previous years. The Agency is studying means to better educate participants about the effects of withdrawing their money from the TSP.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "December 2013 Performance Review – G, F, C, S, I, and L Funds" (attached). Ms. Ray reported that in December the S Fund underperformed the underlying index by 8 basis points as a result of the optimization program, but for calendar year 2013, the S fund outperformed the index by 22 basis points. The C and F Funds outperformed their respective indices by 10 and 34 basis points, while the I Fund underperformed its underlying index by 67 basis points.

With respect to total returns, all of the Funds, with the exception of the F Fund, experienced positive returns in 2013. Ms. Ray also reported that an audit of the proxy voting found no exceptions to the established guidelines. Lastly, Ms. Ray stated that it was necessary that the Board review, and if appropriate, reaffirm the investment policies.

Chairman Kennedy entertained a motion to reaffirm the investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Investment Fund, and the International Stock Index Investment Fund. The following motion was made, seconded, and adopted without objection:

MOTION: That the investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Investment Fund, and the International Stock Index Investment Fund be reaffirmed.

c. Legislative Report

Ms. Weaver reported that the Postal Reform Bill was scheduled for mark-up. The most recent version of the Bill requires the Postal Service and the unions representing Postal Service employees to bargain over whether the Postal Service will make contributions to the Thrift Savings Fund on behalf of new employees; however the

agreement must yield only one new TSP contribution rate. The Agency will continue to track the progress of the Bill.

Ms. Weaver also reported that the Agency continues to monitor the debt ceiling situation, and reiterated that while the G Fund is part of Treasury's extraordinary measures, TSP participants will be made whole when the debt ceiling is raised.

4. Audit Status.

Mr. Ahuja reviewed the January 2014 report entitled "Status of Open Audit Findings" (attached). The Agency recently closed 32 open audit recommendations and expects to close 17 more open recommendations by the end of the 2014 fiscal year. The Department of Labor announced that they will perform a special audit to review the 32 recommendations that the Agency considers closed. In addition, Mr. Ahuja reported that the Agency continues to look for opportunities where it can accelerate or expedite the closing of other open audit recommendations.

5. Quarterly Vendor Financial Report.

Mr. Ahuja reviewed the "Quarterly Vendor Financial Assessment" (attached). Mr. Ahuja reported that although the Agency does not have any financial concerns regarding BlackRock or MetLife, the Agency continues to monitor whether each entity will be designated as a Systemically Important Financial Institution under the Dodd-Frank Act.

Mr. Ahuja then reported that the Agency is monitoring Equinix due to its speculative grade credit rating and is also monitoring R.R. Donnelly due to the company's high debt to equity ratio. With respect to Active Network, the Agency is working to better understand the financial health of the company since it was recently acquired by Visa Equity Partners. Mr. Ahuja stated that Agency does not have any current concerns with respect to Serco, SunGuard, or SAIC.

6. Budget Review.

Ms. Crowder reported on the "FY 2014 FRTIB Budget Review" (attached). At the end of the first quarter of the 2014 fiscal year the Agency is on track with its projected spend plan and commitments. Ms. Crowder reviewed the Agency's personnel headcount and noted that the Agency currently has 176 employees.

Ms. Goethe then provided a summary of the Agency's staffing plan for the remainder of the fiscal year.

7. Annual Expense Ratio Review.

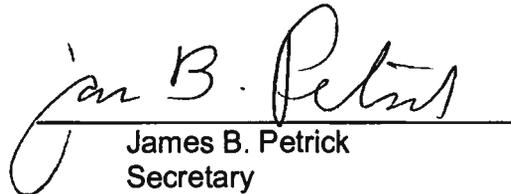
Ms. Crowder reviewed the "TSP Annual Review" which included the TSP expense ratios for calendar year 2013 (attached). In 2013, the gross expense ratio for

the TSP was 4.58 basis points. When the 2013 gross expense ratio was offset by forfeitures and loan fees the overall net expense ratio of the TSP was 2.85 basis points.

In 2013, the Agency received \$25.7 billion in participant contributions, which was a slight increase from participant contributions in 2012. Overall, the TSP Fund recognized an increase of \$67 billion in 2013, and ended the calendar year with \$397 billion in assets.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 10:57 a.m.

MOTION: That this meeting be adjourned.


James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. December 2013 Performance Review – G, F, C, S, I, and L Funds
3. January 2014 Status of Open Audit Findings
4. Quarterly Vendor Financial Assessment
5. FY 2014 FRTIB Budget Review
6. TSP Annual Review (as of December 31, 2013)