



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 16, 2007

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, by telephone, convened a meeting of the Board members on July 16, 2007, 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 by telephone, Thomas A. Fink of Alaska, member; by telephone, Terrence A. Duffy of Illinois, member; by telephone, Alejandro M. Sanchez of Florida, member; by telephone, Gordon J. Whiting of New York, member; Gregory T. Long, Executive Director; Thomas K. Emswiler, Secretary and General Counsel; Mark A. Hagerty, Chief Information Officer; Pamela-Jeanne Moran, Director, Participant Services; Anne M. Beemer, Controller; Tracey A. Ray, Chief Investment Officer; and Thomas J. Trabucco, Director, External Affairs.

1. Approval of the minutes of the June 19, 2007 Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the June 19, 2007 Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on June 19, 2007, be approved.

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

a. Miscellaneous Matters.

Mr. Long reported that he had recently visited Barclays Global Investors and the Active Network. He met with the individuals who are (or will be) responsible for conducting TSP business and noted that he is confident of their capabilities and of their commitment to serving TSP participants.

a. Monthly Participation Activity.

Mr. Long reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). He noted that the TSP fund balances remained at \$224 billion. A cash flow of \$1.6 billion kept fund balances at the previous month's level despite a downturn in the markets. The FERS participation rate decreased slightly, but the total number of participants increased slightly to 3,770,000. The year-to-date expense ratio stands at one basis point, but will increase with end-of-the-year outlays. The total number of uniformed service participants decreased slightly, but the uniformed service participation rate was basically flat.

b. Quarterly Investment Policy Review.

Ms. Ray reviewed the July 9, 2007 memorandum (attached), on the performance of the G, F, C, S, I, and L Funds during June 2007.

She noted that the small cap fund underperformed the index by eight basis points for the month and by nine basis points for the year due to the sampling technique used by the fund. The I Fund has outperformed the index for the year-to-date due to taxes. The trading costs for the I Fund for the year-to-date are three basis points which, although higher than the other funds, are still relatively low. Over \$9 billion has been traded in the I Fund for the year-to-date. The I Fund is on track to exceed the \$12 billion that was traded in it last year, and this year's trades already exceed the \$6 billion that was traded in the I Fund during 2005. Only the G and I Funds had positive returns in June. Of the L Funds, only the income fund showed a positive return in June and this was due to its link to the G Fund. For the year-to-date, the Income Fund showed the lowest rate of return and the 2040 Fund showed the highest rate of return (which one would expect in a period of rising markets). For the year-to-date, the 2040 Fund has outperformed all funds except the S and I Funds. There were no exceptions to Barclays' proxy voting policies during the first quarter of 2007. The review of the second quarter of 2007 is not yet available.

After this discussion, the members 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.

C. Legislative Report.

Mr. Trabucco reported that, based upon the Board's decision to pursue auto-enrollment legislation and legislation that would change the TSP default fund from the G Fund to an age-appropriate L Fund, Agency staff had prepared draft legislation. This was transmitted to Congress by the Executive Director on July 10th. Mr. Trabucco also briefed majority and minority committee staff on the proposals. He doesn't expect Congress to act on these proposals in the three weeks left before recess.

Mr. Trabucco reported that the House Subcommittee on the Federal Workforce has scheduled a hearing on August 2nd. The Hearing will cover benefits for Federal employees

and Mr. Long will testify on behalf of the Federal Retirement Thrift Investment Board.

d. Quarterly Vendor Financial Report.

Ms. Beemer reviewed the July 6, 2007 memorandum entitled "Quarterly Financial Assessment of TSP's Primary Vendors--July 2007" (attached).

SI International's financial numbers are strong. It continues its pattern of acquisitions. It recently completed its acquisition of LOGTEC, Inc. It also recently was awarded two prime contracts from the U.S. Office of Personnel Management. Its revenue has increased by six percent over the same period in 2006.

Spherix has announced its intent to sell its InfoSpherix component to the Active Network. InfoSpherix operates the Agency's call center in Cumberland, Maryland. It will present the sale proposal to its shareholders in August. The revenue of InfoSpherix dropped ten percent due to the expiration of its contract with the National Park Service. We have met with the leadership on the Active Network and have no concerns. The call center contract will be recompeteted in 2008.

Chairman Saul asked for an evaluation of the pending sale to the Active Network. Mr. Long explained that the Active Network intends to leave the Cumberland call center intact and to retain all InfoSpherix employees. The change will be purely cosmetic--new e-mail addresses and a new company name on their business cards. Chairman Saul asked whether the Active Network was publicly traded. He was told that it is not but that it has committed to sharing its financials with us when the sale is complete. Chairman Saul directed Agency staff to stay on top of this and to check around the industry to learn what the Active Network's reputation is. Mr. Long responded that this is a priority for us and that we have heard all the right things so far. Mr. Sanchez added that, for all appearances, the Active Network is stronger financially than Spherix. Mr. Long stated that he feels the same way.

Barclays, as usual, has very strong financials. We continue to watch its proposed merger with ABN AMRO. A decision of the Dutch Supreme Court cleared the obstacles to the completion of this merger. Ms. Ray noted that the Royal Bank of Scotland rebid and increased its cash offer. Barclays' offer is all stock. Due to the difference in the offers, many

analysts believe the Royal Bank will win this competition. Mr. Long added that Blake Grossman of Barclays had told him that the sale will have no affect on TSP operations.

Switch and Data used the cash from its initial purchase order to reduce its debt. Costs and operating expenses exceeded revenues by \$1 million in the first quarter of 2007. We will continue to monitor it through periodic site visits and dialogue with onsite personnel.

R.R. Donnelley financials continue to be strong and it continues its acquisition strategy. It recently announced that it had been awarded a \$49.7 million contract with the U.S. Government.

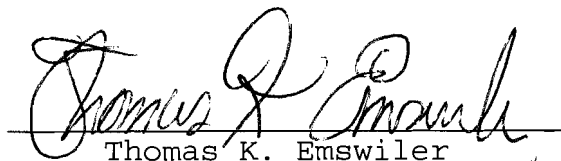
MetLife's financials continue to be strong. The financial strength of the company is the most important factor we consider in awarding an annuity contract. We have no reason to believe that MetLife will be unable to fulfill its obligations to TSP participants.

At the conclusion of the quarterly vendor financial report, Mr. Duffy stated that he would be in Washington, DC in the next few weeks and asked whether there was anything he could do with Congress to advance the Agency's legislative proposals. Chairman Saul replied that this was a very helpful offer and Mr. Trabucco added that Mr. Duffy's efforts have always been helpful.

Chairman Saul concluded the meeting by assuring the Board members that he regularly talked with the principal staff at the TSP and that everything seems in good order. Even though the Board members would be absent from Washington, DC until the next in-person board meeting in September, he stated that they are here in spirit.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 10:40 a.m.

MOTION: That this meeting be adjourned.


Thomas K. Emswiler

Secretary

NOTE: Ace-Federal Reporters, Inc. made a verbatim transcript of this meeting.

Attachments

1. Thrift Savings Fund Statistics
2. June 2007 Performance Review - G, F, C, S, I, and L Funds
3. Quarterly Financial Assessment of TSP's Primary Vendors—July 2007