



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 30, 2011

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 30, 2011, at 1:11 p.m., Eastern Time. The meeting was at the Board's offices at 1250 H Street, N.W., Washington, D.C. Parts of the meeting were open to the public 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; Alejandro M. Sanchez of Florida, member; Gregory T. Long, Executive Director; Thomas K. Emswiler, Secretary and General Counsel; Mark A. Hagerty, Senior Advisor; Pamela-Jeanne Moran, Director, Participant Services; James B. Petrick, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; Thomas J. Trabucco, Director, External Affairs; Mark Walther, Chief Information Officer; and Renee Wilder, Director, Research and Strategic Planning.

1. Welcome and Oath of Office.

Chairman Kennedy welcomed newly appointed members Ronald D. McCray and David A. Jones. Both new members introduced themselves and took the oath of office administered by Mr. Long.

2. Approval of the minutes of the October 17, 2011 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the October 17, 2011 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 October 17, 2011 be approved.

3. Recognition of outstanding service by Board member Sanchez.

Chairman Kennedy then recognized the honorable service of Board member Alex Sanchez. Chairman Kennedy praised Mr. Sanchez's commitment to the TSP and his many contributions that led him to leaving an organization that was much stronger than when he first arrived. In addition, Chairman Kennedy specially recognized his commitment to the organization, and, in particular, Mr. Sanchez's work with military participants. Ms. Bilyeu and Mr. Long also thanked Mr. Sanchez for his dedication to the Thrift Savings Plan.

Mr. Long and Chairman Kennedy presented Mr. Sanchez with a plaque in recognition of his nine years of outstanding service to the Thrift Savings Plan.

Mr. Sanchez thanked everyone for their kind words and congratulated the new members on their appointments. He noted how much he has enjoyed his time serving with the members of the Board, and appreciated the opportunity to serve his country in this capacity. He stressed his desire that the Board continue to work with the military to increase participation rates. Mr. Long directed the members' attention to the figures of military participation rates and noted that Mr. Sanchez's efforts during his tenure contributed to the military participation rate doubling; meaning hundreds of thousands of families are better able to retire with dignity.

4. 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). In October, the plan reached the \$289 billion mark due to the performance of the market during the month and the strong cash flow into the plan. Ms. Wilder noted some unexpected participation numbers in October; in particular the number of participants with no current contributions has increased. Ms. Wilder explained that although you would not expect to see that number increase, it is due to the impact of separating government employees.

The military participation rate of the ready reserve showed an uncharacteristically large decrease in participation. The Department of Defense confirmed the decrease from 16.2% to 14.5% in October is reflective of the reduction of forces. That number is predicted to decline as members of the Ready Reserve are pulled out of Iraq.

Automatic enrollment for new participants has been very successful. Ms. Wilder noted that only 2.7 percent are opting out, and some of those opting out are actually coming back to the plan after opting out. In general, this is lower than private 401(k) plans, which typically have a four or five percent opt out rate.

b. Monthly Investment Performance Report

Ms. Ray reviewed the November 4, 2011 memorandum, entitled "October 2011 Performance Review – G, F, C, S, I, and L Funds" (attached). Ms. Ray explained the first page of the memorandum which details the tracking error of BlackRock managed funds versus the index. Due to the optimization process, there was a bit of tracking error for the month and for the year in the Small-Mid Cap Fund. The International Fund had a negative tracking error for October as a result of a fair value adjustment, but that tracking should be reversed in November, unless there is

a fair value adjustment on the last trading day. The I Fund has had some significant trading costs for the year, especially as the result of overnight price movements in Asian markets.

The G Fund rate in November is one and three-quarters percent. Ms. Ray directed the Board members' attention to page four of her memorandum (attached) which showed the TSP returns for October. As of close the night of November 29, 2011, the C Fund was down 4.4 percent, the S Fund was down 5.3 percent and the I Fund was down 6.6 percent for the month. Ms. Ray explained that year-to-date (as of the 29th) the C, S, and I Funds were down 3.1%, 8%, and 13.8%, respectively, and that the market rise that was underway on the 30th seemed destined to bring the C fund back into positive territory.

Ms. Ray discussed how contributions are being allocated among TSP funds, and pointed out that 43 percent are going into the G Fund, which shows that TSP investors have become more conservative in their contribution allocations. In response to volatility in the market, interfund transfers have increased this year, and October saw 122,000 interfund transfers. Mr. Sanchez spoke to the new members about this number, and stressed the importance of participant education, particularly in a time of fluctuating markets.

Ms. Ray explained the different investment strategies in the lifecycle funds between FERS, CSRS, and uniformed service participants. Currently, 783,000 participants have some money invested in an L Fund.

c. Legislative Report

Mr. Trabucco informed the Board that Mr. Long was invited to testify in front of the Agency's house oversight committee in July. Mr. Long presented testimony on July 27th in which he detailed the organization's progress in implementing the Thrift Savings Plan Enhancement Act. Mr. Long raised three legislative issues before the committee: (1) clarifying the Agency's status as a non-appropriated fund for procurement purposes; (2) establishing a five-year statute of limitations on benefit claims; and (3) authorizing the TSP to comply with IRS tax levies. Those three issues are being looked at on a bipartisan basis.

5. Closed Session.

On a vote taken by the Chairman, the members closed the meeting at 1:59 p.m. for executive session.

At 4:06 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 4:06 p.m.

MOTION: That this meeting be adjourned.



Thomas K. Emswiler  
Secretary

**Attachments**

1. Thrift Savings Fund Statistics
2. October 2011 Performance Review –G, F, C, S, I, and L Funds