



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

GREGORY T. LONG
Executive Director

November 9, 2007

MEMORANDUM FOR BOARD MEMBERS SAUL, FINK, WHITING, SANCHEZ,
& DUFFY

FROM: GREG LONG
Executive Director

CC: TRACEY RAY, Chief Investment Officer
WILLIAM H. JACOBSON, Financial Analyst

SUBJECT: Frequent Trading

Earlier this year, Tracey Ray, our Chief Investment Officer made me aware of a pattern of increasing volume of trading activity and some challenges that this was causing in terms of managing the TSP funds and limiting transaction expenses. I tasked Tracey and Bill Jacobson, Financial Analyst, with devising a method to define the cause of the increased trading activity, measure the financial impact of this activity and, if necessary, propose solutions that will improve the TSP. The attached memorandum, dated November 6, 2007 from Tracey to the Executive Director is the result of that effort.

I concur with the recommendations in the November 6, 2007 memorandum. I am confident that establishing a policy that restricts TSP participants from frequently trading their account is in the best interests of all TSP participants and beneficiaries. As this relates to investment policy, a board resolution is required to implement. The draft resolution is attached.

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

WHEREAS frequent trading has been shown to have a detrimental effect on fund performance because of the resulting increase in transaction costs; and

WHEREAS the TSP was designed as a cost-effective, long-term investment vehicle, to generate retirement savings.

NOW THEREFORE BE IT RESOLVED that, subject to advice from the Employee Thrift Advisory Counsel, the Board adopts a policy of placing trading restrictions on all of the funds in the Thrift Savings Plan. Initially, this policy shall be to advise excessive traders that they must stop this activity or face being restricted to requesting interfund transfers via mail. Eventually, with changes in automation, this policy shall be to allow participants two interfund transfers per calendar month with additional transfers allowed only into the G Fund.